

Is a fresh pair of eyes always better? The effect of consultant type and assigned task purpose on communicating project escalation concerns



Chang-Yuan Loh^{a,*}, Rodney Coyte^a, Mandy M. Cheng^b

^a The University of Sydney Business School, Australia

^b School of Accounting, UNSW Business School, UNSW Sydney, Australia

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ABSTRACT

Prior research suggests that the use of third party (independent) consultants to review on-going projects is an effective way to recognize and prevent escalation of commitment. This study uses an experiment to investigate whether the type of consultant (internal or external) and the stated purpose of the task assigned to the consultant influences willingness to communicate concerns about a project manager's decision to escalate an unprofitable project to top management. We find that explicitly asking internal consultants to communicate concerns reduces both their tendency to disagree with the project manager's escalation decision and their willingness to communicate their concerns. In contrast, external consultants' willingness to communicate escalation concerns is not affected by the stated purpose of their assigned task. Our findings have implications for organizations seeking to engage consultants as part of their management control to prevent project escalation.

1. Introduction

The success of capital investment projects is vital to organizational performance. However, research suggests capital investment projects are often subject to escalation of commitment, where managers persist with projects despite the presence of accounting information indicating discontinuation as the economically rational decision (e.g., Cheng et al., 2003; Ghosh, 1995; Harrell and Harrison, 1994; Victoravich, 2010). Research into de-escalation of commitment is thus important as it searches for ways to limit or prevent scarce organizational resources being used on projects that do not deliver value (Denison, 2009; Drummond, 1995; Ghosh, 1995, 1997; Ku, 2008).

Prior studies have focused on how personal responsibility (where managers feel personally responsible for the success/failure of a project) is an important antecedent for escalation of commitment (Cheng et al., 2003; Ghosh, 1997). This has prompted suggestions that an independent third party, such as an internal consultant from another department (in the same organization) or an external consultant (contracted from an external professional firm), may assist in de-escalating commitment (Ghosh, 1995; Kadous and Sedor, 2004; Keil and Robey, 1999; Slesman et al., 2012). For example, Kadous and Sedor (2004) show that external consultants represent a potentially effective control mechanism against escalation of commitment when they are able to recognize problems threatening the future viability of a project.

However, prior literature also suggests it is often the reluctance of individuals to communicate bad news to top management that results in project escalation (Keil and Robey, 1999; Keil et al., 2010). Thus, recognizing project problems alone may not be sufficient to result in de-escalation of commitment.

In this study, we examine the effectiveness of using consultants as a management control mechanism to facilitate de-escalation, as has been suggested in the prior literature. We argue that a “fresh pair of eyes” is only effective in controlling escalation if the consultants display a willingness to disagree with a project manager's escalation decision and to bring their concerns to top management's attention. We specifically examine two variables that influence consultants' willingness to do so, namely, the type of consultant (internal or external) and the purpose of the task assigned to them by top management (whether the consultants are asked to check project procedural compliance only, or to also advise top management on any project concerns). We hypothesize that the tendency for internal consultants to disagree with a project manager's decision to escalate a poorly performing project is lower than for external consultants. Further, even where they recognize an escalation problem, we predict that internal consultants will be less willing than external consultants to communicate their concerns to top management. We also hypothesize an interaction effect, where explicitly asking consultants to advise top management of project concerns will decrease both the tendency of the internal consultants to disagree with the

* Corresponding author at: Discipline of Accounting, The University of Sydney Business School, The University of Sydney, H69, NSW, 2006, Australia.
E-mail address: chang.loh@sydney.edu.au (C.-Y. Loh).

project manager's escalation decision and their willingness to communicate escalation concerns to top management, but will not affect the external consultants' behavior.

Studying factors that affect consultants' willingness to communicate escalation concerns is important because organizations increasingly engage consultants to perform a variety of tasks, especially those that can benefit from a "fresh pair of eyes" (Lapsley and Oldfield, 2001; Lapsley et al., 2013). Articles providing practical advice on de-escalating commitment often suggest the engagement of independent reviewers not involved in the initial decision to evaluate projects (e.g., Horn et al., 2006; Surowiecki, 2013). Both internal and external consultants can undertake this independent role, and prior studies have not differentiated between their relative effectiveness. However, the management literature has shown that internal and external consultants are seen as alternatives to organizations seeking services and advice, and each have their relative strengths and weaknesses (e.g., Kitay and Wright, 2004; Sturdy et al., 2013; Wright, 2009). Of particular relevance to our study is the argument that internal consultants differ from external consultants in possessing an ambivalent identity as both "outsider" consultants and "insider" employees – the balancing of which can also be a source of internal conflict (Grima and Trepo, 2011; Wright, 2009). While Kadous and Sedor (2004) study external consultants' mental representations when they are evaluating an escalating project, we are unaware of any accounting research that has compared internal and external consultants' potential effectiveness in enhancing management control over escalation problems.

Drawing on social identity theory (Tajfel and Turner, 1986), we argue that internal consultants identify as part of the same organizational social group as project managers and thus are more likely to act favorably towards them. As such, we argue that internal consultants have a lower tendency to disagree with a project manager who has escalated commitment to a project, and that even if they do, they are less willing to communicate their concerns about a project manager's decision compared with external consultants. Further, extant social psychological research suggests that the framing of the decision task can also influence individuals' behavior towards socially identified groups (Huy, 2011; Richardson, 2005; Singer et al., 2010). Drawing on this theory, we argue that explicitly assigning the task of communicating concerns to top management to internal consultants causes them to frame the decision task as one involving a conflict between their identity (as colleagues in the project manager's social group) and their assigned task (to act unfavorably towards their group). In contrast, external consultants are "outsiders" who do not belong to the project manager's social group, so we do not expect that variations in assigned task will affect external consultants. Consequently, we expect that asking internal consultants to communicate their project concerns to top management will lower their tendency to disagree with the project manager's decision and their willingness to communicate escalation concerns to top management.

We test our hypotheses in an experimental setting where participants assume the role of either internal consultants or external consultants. Participants are either asked by top management to review project procedural compliance only or to also advise top management of any project concerns. Participants are given background information indicating that one of the prominent projects in the organization for which they are consulting has been underperforming. Despite receiving many negative signals and knowing that the project team members have informally expressed concerns that the negative issues plaguing the project are unlikely to be resolved, participants also learn that the project manager has decided to continue the project. Participants are then asked to indicate if they agree with the project manager's decision and whether they will discuss their concerns about this decision with the top management.

Our results show that consultant type has a significant main effect on the consultants' willingness to communicate escalation concerns to top management, but not on their tendency to agree with the project

manager. Consistent with our expectations, our results also show an interaction effect such that explicitly asking internal consultants to advise top management of any project concerns decreases their tendency to disagree with the project manager's escalation decision, as well as their willingness to communicate escalation concerns to top management. In contrast, the purpose of the assigned task did not change the external consultants' behaviors. Further analysis shows a moderated mediation process model, where the consultant type and the purpose of the assigned task interact to influence the consultants' willingness to communicate their escalation concerns both directly and indirectly via the consultants' tendency to agree with the project manager's escalation decision. The direct effect we observe suggests that even when consultants recognize that the project manager has decided to escalate, specifically asking internal consultants to advise top management of project concerns causes them to become less willing than their external counterparts to do so. The indirect link further suggests that the social identity associated with being an internal consultant can potentially lead to "vicarious escalation" (Gunia et al., 2009), further reducing consultants' willingness to communicate any escalation concerns.

Our study contributes to the literature in three main ways. First, a common recommendation to control dysfunctional escalation is to bring in an independent third party to review existing projects. This approach is based on the idea that an independent view will not be burdened by self-justification bias and emotional involvement with the project. However, findings in psychology and decision science question this basic premise (e.g., Boulding et al., 2017; Gunia et al., 2009), and in the accounting literature, Brüggem and Luft (2016) show that having separate decision makers for the initial investment decision and the subsequent funding decision can backfire and increase initial cost understatement. Our study provides a more nuanced understanding of when an independent reviewer can be effective in enabling de-escalation. We show that this management control remedy is less effective if the reviewer is an internal employee (i.e., an "internal consultant") rather than an external consultant (i.e., someone hired from outside of the organization), even if both types of consultants are independent from the initial investment decision-making process and subsequent project execution. While audit research has examined the differences between internal and external auditors (e.g., Stefaniak et al., 2012), to our best knowledge, our study is the first to examine the differential de-escalation effectiveness of internal versus external consultants. Consultancy services are costly for organizations (Homburg and Stebel, 2009), so the choice between hiring internal or external consultants often has significant implications. Our result more broadly indicates that organizations should pay closer attention to differences and relative effectiveness between internal and external consultants as part of an organization's management control system design.

Second, prior research has relied on theories about mental representation formation to demonstrate that assigning external consultants a project-relevant task enables them to more effectively store and retrieve project-related information, which leads to de-escalation recommendations (Kadous and Sedor, 2004). Our study provides a distinctive contribution that complements this finding, by adopting a social psychology perspective. We show that the requirement to communicate project concerns to top management can frame the decision scenario as one that involves a social identity conflict, and causes internal consultants to become less willing to communicate their escalation concerns, compared to external consultants.

Third, although the escalation of commitment literature is well established, there is limited research on de-escalating commitment (Ku, 2008; Pan et al., 2006). Our study adds to the de-escalation literature by examining factors that influence independent reviewers' willingness to communicate escalation concerns to top management, which is an important step in ensuring de-escalation occurs. In particular, the results of a conditional indirect path model show that the reviewers who are internal consultants are more reluctant than their external

consultant counterparts to communicate their concerns about an escalating project, even after we have controlled for the effect of the consultants' tendency to agree (or disagree) with the project manager's escalation decision. Our finding suggests that organizations need to be aware of two types of impediments to de-escalation of commitment, namely, factors that impeded reviewers' abilities to formulate an opinion about the need to de-escalate, and factors that impede their willingness to then communicate escalation concerns to top management who can put a stop to project escalation.

In the next section, we review the literature that underpins our theory and develops our hypotheses; this is followed by the presentation of experimental design and procedures, result analysis, and finally our discussions and conclusions.

2. Theory and hypotheses development

2.1. Third party intervention in escalation of commitment

An organization's management control system has been stated to be "the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives" (Anthony, 1965, p. 17), and to provide information to help control the behavior of management (Seal, 2006). Escalation of commitment, which occurs when managers continue to commit resources to projects that should have been terminated, represents an undesirable breakdown in management control. The extant research has emphasized the importance of personal responsibility as an antecedent for escalation (e.g., Brockner, 1992; Schulz and Cheng, 2002; Slesman et al., 2012; Staw, 1976). This stream of research suggests that managers who encounter negative feedback on a project for which they are personally responsible are reluctant to discontinue it, to avoid giving the impression that their initial decision to start the project was poor. Further, they tend to be biased in processing information, favoring feedback that supports the existing course of action (e.g., Festinger, 1957; Schultze et al., 2012). Consequently, managers with personal responsibility often escalate commitment in an attempt to self-justify their initial decisions (Staw, 1976).

This propensity for project managers with personal responsibility to escalate commitment has prompted suggestions that independent reviewers – who were previously uninvolved with the project – may be a useful form of management control to facilitate de-escalation (Behrens and Ernst, 2014; Ghosh, 1995; Kadous and Sedor, 2004). For example, Kadous and Sedor (2004) show that external consultants are able to recommend de-escalation, but only if they are asked to do so. Specifically, they find that consultants assigned a task of determining a project's continuance are more likely to process information relevant to that purpose (i.e., to recognize project problems), than consultants who have not been assigned a purpose that specifically requires making a project continuance decision.

Independent reviewers, however, may not always be a desirable remedy to escalation. For example, Boulding et al. (2017) show that retaining the same decision maker is beneficial for investment using a real-option analysis methodology, and Gunia et al. (2009) find that even independent decision makers may engage in escalation if they have a strong psychological connection to the initial decision maker. These results suggest the need for a more nuanced understanding of the effectiveness of using independent reviewers to prevent escalation. Considering the limited research on when independent reviewers are effective in facilitating de-escalation (Keil and Robey, 1999; Mahring et al., 2008; Pan et al., 2006), we seek to investigate two factors that influence the effectiveness of consultants in reducing escalation of commitment: namely, their role (i.e., internal or external consultants), and the explicit purpose of their assigned task. Drawing on social identity theory, we propose that compared with external consultants, internal consultants have a greater tendency to agree with a project manager's escalation decision and are less willing to communicate escalation concerns to top management. Having established this

argument, we further posit that explicitly asking the consultants to advise top management of any project concerns will exacerbate this social identity effect.

2.2. The difference between internal and external consultants in de-escalating commitment

Although consultants are "knowledge agents" hired by organizations to assist with problem identification and resolution (Fisher, 1972; Sarvary, 1999), research suggests little is actually known about the degree to which they add value to an organization (Chen et al., 1993; Lapsley and Oldfield, 2001). Consultancy services are costly for organizations (Homburg and Stebel, 2009), so the choice between developing an internal consultant or contracting an external consultant depends on the relative effectiveness in the services they provide (Kitay and Wright, 2003). Prior literature suggests that external consultants can act as a useful control against escalation (Behrens and Ernst, 2014; Kadous and Sedor, 2004), but there is a lack of research examining whether there are differences in effectiveness between internal and external consultants. Both Kadous and Sedor (2004) and Behrens and Ernst (2014) examine the role of external consultants – but organizations can choose between either internal consultants or external consultants.

Internal consultants are employees of the organization, while external consultants are contracted from external professional firms (Lacey, 1995) – they may perform similar roles for an organization and are often considered as substitutes (Wright, 2009).¹ However, the different nature of their relationship with that organization can affect how they perform those roles (Kelley, 1979; Kitay and Wright, 2003; Wright, 2009). Internal consultants are generally more cost effective and their proximity to top management is advantageous in terms of receiving managerial support, whereas external consultants are more politically independent and are less likely to form personal relationships with employees (e.g., Grima and Trepo, 2011; Kelley, 1979). Wright (2009) suggests that internal consultants may suffer from ambivalent identities, where they are both at once "insider" employees of the organization and trying to provide consultancy services as "outsiders". This balancing of identities is a likely source of conflict or tension for internal consultants, consistent with suggestions that consultants sourced externally to the organization may present an image of more independence than that of internal consultants (Bloomfield and Danieli, 1995).

What is relatively unknown is how internal consultants compare with external consultants in terms of their effectiveness as management control mechanisms against escalation of commitment. Whatley and Kliever (2013, p. 99) use the Latin phrase *Nosce te ipsum* – Know thyself – to suggest that the identity consultants see for themselves can bring with it perceptions and biases that influence their effectiveness. In the auditing literature, research has shown a difference in behavior between in-house and outsourced internal auditors.² Internal auditors

¹ While internal and external auditors sometimes work together, external consultants and internal consultants tend to work independently (see, Wright, 2009). Further, both internal and external consultants render similar services to the client organization that contracts them (Grima and Trepo, 2011; Kelley, 1979; Sturdy et al., 2013), whereas internal and external auditors tend to provide different services and hence, are more likely to work together, or even depend upon one another (Abbott et al., 2012; Bartlett et al., 2016; Holm and Laursen, 2007).

² While both in-house internal auditors and internal consultants are employees of an organization, the nature of their work generally differs. The internal audit tends to be conducted in line with accounting standards such as GAAP, while consultancy work tends to provide advice or solutions to a broader range of managerial issues (Summers et al., 2000). However, to the extent that the internal audit function provides not only independent assurance but also recommendations on improving organizational processes and controls (see CIMA Global Management Accounting Principles, 2015), the work of internal auditors may overlap that of internal consultants.

sourced in-house are more likely to advocate management's position (Ahlawat and Lowe, 2004), and develop loyalty and build relationships with employees when compared to outsourced internal auditors (Chadwick, 2000; Fitzpatrick, 2001). Further, external auditors tend to perceive in-house internal audit reports as being biased towards management views (Ahlawat and Lowe, 2004; DeZoort et al., 2000), especially where internal audit functions are seen as training grounds for management positions (Messier et al., 2011). In this study, we rely on social identity theory to propose a difference between internal and external consultants' effectiveness in de-escalating commitment.

Social identity theory argues that individuals analyze their social environment in terms of the social groups or categories to which they belong (Tajfel and Turner, 1986). Group membership constructs a social identity for the individual and encourages group-consistent behavior. Social identities can be constructed based on anything from age and gender, to political differences and work groups (Ben-Ner et al., 2009; Ellemers et al., 2002; Tajfel and Turner, 1979). Sharing a common work group membership or identity can lead to a psychological connection to other members of the group, which in turn can cause people to experience similar feelings to those with whom they are connected (Gino and Galinsky, 2012; Gunia et al., 2009). For example, Gunia et al. (2009) find evidence of "vicarious escalation", where decision makers are more willing to escalate commitment to investments initiated by others to whom they feel a psychological connection (e.g., where they share common demographic attributes).

An independent reviewer can be either an internal or an external consultant. On the one hand, both types of reviewers are independent to the project they review (i.e., neither is involved with the project), are not influenced by personal responsibility for the project, and hence should be effective in recognizing and communicating escalation concerns to top management (to whom they are accountable). Indeed, prior de-escalation literature does not differentiate between the relative effectiveness of these two types of reviewers (e.g., Behrens and Ernst, 2014; Keil and Robey, 1999). However, based on social identity theory, we argue that individuals acting as internal consultants will construct a co-worker social identity with the project team, including the project manager (Sluss and Ashforth, 2007). For example, Burt (2016) finds that employees are more likely to identify with, and therefore share, negative company information with internal auditors compared with external auditors. We posit that, being from the same organization and reporting to the same top management as the project manager, internal consultants are more likely to see themselves as belonging to the same social group, and hence more likely to engage in group-consistent behavior than external consultants. Consequently, we predict that internal consultants, compared to external consultants have a lower tendency to disagree with a project manager's decision to escalate an unprofitable project:

H1a. The tendency to disagree with a project manager's decision to escalate commitment is lower for internal consultants than external consultants.

Individuals who identify with a social group often engage in protective behavior towards the group (Thompson, 1995), and make decisions in favor of the social group even if it means overriding their self-identity (LeBoeuf et al., 2010; Turner, 1985). Insights on how social identification may differentially affect internal consultant and external consultant effectiveness in reducing escalation can be drawn from the auditing literature. Accounting research drawing on social identity theory has found that auditors' judgments are affected by the extent to which they identify with their client organization (Bamber and Iyer, 2007; Bauer, 2015; Stefaniak et al., 2012). Bamber and Iyer (2007) and Bauer (2015) find that external auditors who identify with their client organizations are significantly more likely to acquiesce to the client's preferred position than auditors who identify more with their profession. Stefaniak et al. (2012) compared internal auditor and external auditors' social identification with their client organization and the

effect this had on the auditors' internal control evaluation leniency. They find results consistent with Bamber and Iyer (2007) in that external auditors who identified more with the client organization made more lenient internal control evaluations. However, Stefaniak et al. (2012) also found that while internal auditors exhibited higher employer identification than external auditors, they were less lenient when making internal control evaluations. One reason put forth by the authors in explaining this result is that internal auditors are affiliated with only one organization and are therefore more concerned with ensuring its long-term well-being.

While the audit literature provides insights into the effects of social identification on behavior, they tend to examine how auditors' social identification with the client organization or their profession differentially affected their acquiescence with their client's preferences. In our study however, although the consultants' "client" is also their organization (the top management), our interests lie in whether their social identification with the project team affects the consultant's responsibility to their client (the top management). Unlike the setting examined in prior audit literature, internal consultants in our setting experience conflicts because they likely identify with both the other employees in the company (i.e., the project team) and the top management (to whom they report). Cooper and Thatcher (2010) note a difference between relational identification with co-workers and collective identification with organizations. While identification with an organization leads to behavior that supports organizational goals (Riketta, 2005), relational identification leads to behaviors that support co-workers (Sluss and Ashforth, 2007). Further, localized social identities (e.g., member of a work group) tend to be more salient and have stronger behavioral effect than general, higher order social identities (e.g., member of an organization) (Ashforth et al., 2008). As such, we hypothesize that the internal consultant's identification with the project team would be more salient than that with the organization's management.

Based on the above discussions, we predict that internal consultants are more likely than external consultants to feel that they should act favorably towards the project manager, and hence will be more reluctant to communicate any escalation concerns to top management, even if they disagree with the project manager's decision. This leads to the following hypothesis:

H1b. Internal consultants are less willing than external consultants to communicate concerns about a project manager's decision to escalate a project to top management.

In the next section, we will discuss how the purpose of the task assigned to the consultants will make the social identity effect more salient for internal consultants, thereby increasing the behavioral differences between internal and external consultants.

2.3. The purpose of the task assigned to the consultants

Prior research has shown that assigning consultants a project-relevant task enables them to establish a mental representation that facilitates escalation recognition, compared with either a general task or one that is irrelevant to the project (Kadous and Sedor, 2004). Here, our research adopts a different focus and examines whether the specific task requirement assigned to consultants can have a decision-framing influence that increases the social identity effect argued in H1.

Research in both social psychology and accounting suggests that decision framing can have a strong influence on the decision maker (Kuvaas and Selaart, 2004; Messick, 1999; Victor et al., 1993). An individual's decision making is conditioned by his or her interpretation of the question "What kind of situation is this?" In turn, this is influenced by environmental cues present in the decision task (Messick, 1999). Small details of a social situation – details that may not influence the underlying economic structure or payoff – can nonetheless have a strong influence on decisions if those details affect the individual's perception of the situation or task. For example, Samuelson and Allison

(1994) illustrate a framing effect in an experiment involving the sharing of a common resource. In their experiment, participants roll a die to decide the order in which each would draw from the resource. The first to draw is assigned as either: “guide”, “leader”, or “supervisor”. The authors find that those assigned as “supervisor” are more likely to take significantly more resources than the other assignments, because the identity “supervisor” implies a greater entitlement to the shared resources than either “leader” or “guide”. Similarly, Larrick and Blount (1997) find that when two individuals split \$7 between them, those who are cued as residual “claimants” are more likely to accept significantly smaller dollar values than individuals cued as “acceptors” or “rejectors” of the residual.

Decision-framing effects have been demonstrated to influence the effect of control systems on perceptions of trust (Tenbrunsel and Messick, 1999) and the presence of reporting structures on social acceptability of peer reports of unethical behavior (Trevino and Victor, 1992). Different modes of budget communication and budgetary authority have also been found to affect how subordinates frame the budgeting task. Rankin et al. (2008) show that budget communications to superiors that require a factual assertion led subordinates to view the task as one involving honest reporting. Further, giving the subordinate authority over the budget frames a participative budgeting scenario as an ethical dilemma, in which the subordinate has to determine a fair distribution of profit between him/herself and the superior. In contrast, where the superior has budget authority, the subordinate sees it as a strategic negotiation, whereby the budget is prepared to maximize the chance of superior approval.

In this study, we argue that the purpose of the task assigned to consultants affects their framing of the decision task. In our setting, all consultants are asked to review the project’s compliance with basic project management procedures, such as the requirements to provide NPV projections and to state any alternative investment opportunity. Such compliance checks do not explicitly require the consultants to express an opinion on the project’s progress.³ However, where the consultants are also explicitly asked to advise top management of any concerns they have identified about the project, this additional requirement may provide a cue to the consultants that top management is reassessing the project and that any communication of bad news is likely to adversely affect the project manager and the project team. As argued earlier, internal consultants likely identify themselves as being part of the project manager’s social group, and this identification is stronger than their identification with the top management. To these consultants, the requirement to advise top management of any project concerns frames the decision scenario to make salient their social identification conflict, as it emphasizes that this review decision will potentially harm members of their social group (i.e. the project manager and team). The saliency of the social identity conflict increases the internal consultants’ in-group favoritism towards the project team, lowering the internal consultants’ tendency to disagree with the project manager’s decision and their willingness to communicate any escalation concerns to top management. By contrast, external consultants, being “outsiders”, do not identify with the project manager and project team as belonging to the same social group, and are only concerned with their responsibility towards their client organization. External consultants will not feel social identity conflict when they report project concerns to top management. Hence, we do not expect the nature of the assigned task to influence external consultants’ decisions. This leads to our interaction hypotheses.⁴

³ A project compliance check is different from assessing a project’s viability in the sense the former focuses on whether certain procedural steps have been completed, while the latter involves a direct consideration of whether a project’s on-going performance is in the organization’s best interest.

⁴ Kadous and Sedor (2004) find that task purpose affects consultants’ abilities to store and retrieve relevant project information, and in doing so allows them to identify project escalation. We do not expect a similar effect here because, in our setting, the project escalation scenario is unambiguous such that we expect all participants to recognize the escalation problem, regardless of our task

H2a. Assigning consultants the task of communicating project concerns to top management will reduce the consultants’ tendency to disagree with a project manager’s escalation decision if they are internal consultants but not if they are external consultants.

H2b. Assigning consultants the task of communicating project concerns to top management will reduce the consultants’ willingness to communicate concerns about a project manager’s escalation decision if they are internal consultants but not if they are external consultants.

3. Research method

3.1. Experimental design and task overview

We test our hypotheses using a 2×2 between-subjects experimental design. The two independent variables are consultant type (internal or external), and the consultant’s assigned task (advise on procedural compliance only (“compliance check only” task) or advise on procedural compliance and in addition advise top management of any project concerns (“compliance check and advise concerns” task). Prior to the main experiment, the instrument was pilot tested with four project managers, five accountants, and five academics to ensure that the experimental scenario was realistic and appropriate. The final instrument incorporated feedback from the pilot tests.⁵

In our experiment, participants assumed the role of a consultant assigned by the top management of an IT organization to examine a New Product Development (NPD) project. This setting was chosen due to the high association of NPD projects with failure and their propensity to escalate commitment, especially within an IT context (Keil et al., 2000, 2007). Participants received two folders to complete as part of the experiment. In the first folder, after a brief introduction to the organization, participants were informed of their role as either an internal or external consultant. Participants read a description of the NPD project, which involved the development and planned release of a new graphics processing unit (GPU) to the market. As part of their task, participants were also informed that they had extracted schedules about the project’s progress. These included: a Project Timetable schedule (showing the project’s launch date has been delayed); a Production Forecast schedule (showing poorer production performance than forecasted); and a Financial Forecast schedule (which revealed that the revised NPV for the project fell well short of initial projections, and that an alternative investment opportunity offered a higher NPV should the project be discontinued). Thus both accounting and non-accounting information suggested a poorly performing project with little prospect of improving, and that the company’s economic interest would be best served by discontinuing it. The last schedule presented was an Annual Project Review form, showing that the project manager had signed off to continue investment in the project (i.e., there has been an escalation of commitment by the project manager).

After reviewing these reports, participants had to complete a checklist of the project’s procedural compliance, to fulfil the “advise project compliance” part of their task.⁶ Once this task was completed, participants received additional information about the project’s declining performance in the form of informal discussions with project

(footnote continued)

purpose manipulation. We made this design choice because, unlike Kadous and Sedor, we are interested in whether a social psychology factor – social identity – influences consultants’ willingness to raise escalation concerns, rather than the consultants’ cognitive abilities to recognize escalation.

⁵ These include changes to the length of the instrument, additional background, and project information to augment realism, as well as minor edits to grammar and wording.

⁶ The checklist consisted of five yes/no questions, to check if the consultant had received project report schedules on the project timetable, production forecast, original and revised NPV values, alternative investment opportunity, and an annual project review signed by the project manager.

team members on the significant production and design faults identified with the GPU, which were unlikely to be resolved in the short term. This information provided further indicators that continuing the existing project is an example of escalation and allows the participants to “get to know” the project team.

Participants were then asked to respond to a series of questions. First, participants were asked whether they agreed with the project manager’s decision to continue the project (measured on a 10-point scale). Next, participants were informed that after the submission of their completed procedural checklist, they had received a courtesy email from the organization’s top management thanking them for their review. The email also offered the option for the consultant to arrange a meeting with management should they have any further project concerns. Participants were asked if they would decide to arrange a meeting with top management to discuss the project manager’s decision to continue the project (measured on a 7-point scale). After this question, participants were asked a series of questions on the specific issues they would raise in the meeting and the influences behind their choices. This concluded the first folder, which was collected before participants progressed to the second folder. In the second folder, participants completed a post-test questionnaire, including questions on a manipulation check and questions on demographic details.⁷ Appendix A presents a flow chart explaining the experimental procedures.

3.2. Independent variables

The two independent variables manipulated were type of consultant and assigned task. To manipulate consultant type, participants randomly assumed the role of either an internal consultant (an employee of the organization who was not previously involved with the project), or an external consultant from a business consultancy firm with each participant receiving the following information (difference in treatment bracketed):⁸

AIS [the company in the experimental scenario] top management has a policy of arranging an Internal (External) Consultant for its projects. The Internal Consultant is an employee of AIS who has not been previously involved with the project (The External Consultant works for an external consultancy firm unaffiliated with AIS and has not been previously involved with the project).

Assume that you are an employee of AIS, and you have been arranged to be the Internal Consultant for [the project] (Assume that

you work for an external consultancy firm, and AIS has arranged for you to be the External Consultant for [their project])

The assigned task was also manipulated at two levels; participants in the “compliance check only” treatment were told via a memo from “top management” that their task was to advise top management on whether the project complies with prescribed project management procedures (by completing a check list); participants in the “compliance check and advise concerns” treatment were told that they had to check project compliance, and if they had any concerns about the project to advise top management of these concerns (refer to Appendix B). As the experimental scenario clearly indicated that the project manager had complied with all project management procedures, the only concerns that the participants should have would relate to the project manager’s decision to escalate the project.⁹

3.3. Dependent variables and other measures

We measured two dependent variables. The first dependent variable, “tendency to agree with project manager”, was measured after the participants had completed the compliance check and read about informal discussions with the project team regarding other negative indicators of the project. Participants indicated whether they agreed with the project manager’s decision to continue the project (on a scale from 1 “Strongly Disagree” to 10 “Strongly Agree”). The second dependent variable, “communicate escalation concerns”, was measured next, after participants had read a memo from top management thanking them for completing the compliance task and inviting them to arrange a meeting to discuss any concerns they had about the project if they wished to do so. Participants indicated on a 7-point scale whether they would arrange a meeting with top management to discuss the project manager’s decision to continue the project (from 1 “Definitely No” to 7 “Definitely Yes”).¹⁰ To avoid social desirability bias, the word “escalation” was deliberately left out of this question (as it may cause participants to think that the correct response is to express a willingness to communicate escalation concerns).

In addition, after responding to the two dependent variable questions, participants were asked to indicate the extent to which a number of factors had influenced their decisions.

3.4. Participants

Participants were 160 senior level postgraduate accounting students at a large Australian university. Participants had studied capital investment appraisal techniques from their prior coursework. Both age and gender were randomly distributed across the experiment scenarios and there was an average of one year of work experience. Participation was voluntary and participants were recruited via invitations during

⁷ The post experimental questionnaire also contained questions based on Davis’ (1980) Interpersonal Reactivity Index (IRI). The IRI captures four dimensions of empathy: perspective taking; fantasy; empathic concern; and personal distress. We conducted ANOVA tests (untabulated) to see whether we were successful in randomly allocating participants with different levels of IRI across the four experimental cells. Unexpectedly, we found that the fantasy and empathic concern dimensions were significantly different across the four treatments. Subsequent ANCOVA results (untabulated) showed that neither the fantasy or empathic concern dimensions were significant covariates for either of our dependent variables.

⁸ All participants were told that while they do not work directly with the project team, they encounter the team in the office and chat with them informally. We expect such a scenario description to reinforce the internal consultants’ sense of social identity with their project team colleagues. Although we acknowledge that our manipulation may not have as much strength as experiencing social identity in practice, our approach is consistent with prior experimental studies on social identity, which do not specifically measure social identity (Ahmed, 2007; Ben-Ner et al., 2009). These studies find results consistent with Tajfel’s (1970) “minimal group paradigm”, where even the most random and arbitrary group assignments can produce social identity effects (e.g., by grouping participants via a coin toss or by telling participants that they share a personality trait). We also argue that this serves to reinforce support for our hypotheses since the social identity effect in the “real world” is likely to be even more salient than under experimental conditions.

⁹ Although both Kadous and Sedor (2004) and our research are interested in assigned task purpose, the two studies pose different research questions. Kadous and Sedor (2004) examine whether assigning a project relevant purpose enabled consultants to develop a mental representation that facilitates escalation recognition. In contrast, we are interested in the decision framing effect of assigned task purpose, specifically, whether an explicit requirement to communicate project concern to top management will reduce internal consultants’ willingness to do so, by framing their decision as one that involves social identity conflict. Our interest is not about the consultants’ mental representation formation. Hence, we only assigned our participants project-relevant task purposes.

¹⁰ We used a forced-choice scale for the dependent variable “tendency to agree” so that participants were required to consider the project manager’s decisions carefully and make a decision on whether they agreed with the project manager. For the dependent variable “communicate escalation concerns”, we did not see a strong reason for using a forced choice scale and so decided to use a 7-point scale, which allows the participants to indicate that they are uncertain about whether to meet with the top management.

lectures. Upon completion of the experiment, each participant received a non-performance contingent reward of a A\$15 shopping voucher.

4. Results

4.1. Understandability and manipulation tests

To ensure that participants understood the purpose of their task, we asked them to indicate whether they were assigned a task by top management to advise if the project is compliant with procedures, or whether they were also assigned to advise top management of any concerns they may have about the project. This understandability test was conducted immediately after participants received the assigned task manipulation.¹¹ This question was answered incorrectly by 45 participants.¹² We also asked a manipulation check question where participants indicated whether they had assumed the role of an internal consultant or of an external consultant. This question was incorrectly answered by 17 participants (including eight participants who answered both questions incorrectly). After excluding all participants who failed one or both of these tests, and two missing responses, 104 usable responses remain.

4.2. Hypothesis testing

H1a predicts that the tendency to disagree with the project manager's escalation decision is lower for internal consultants than external consultants. Table 1 Panel A shows that on average participants disagreed with the project manager's escalation decision (overall average = 3.99 on a 10-point scale, where 1 = Strongly Disagree). Internal consultants tended to agree with the project manager to a larger extent than external consultants (4.32 vs 3.72, respectively, where a larger score means a greater tendency to agree with the project manager); however, this difference is not significant ($F = 2.066$, $p = 0.154$, see Table 1 Panel B); thus H1a is not supported.¹³

H1b predicts that internal consultants are less willing than their external counterparts to communicate concerns about the project manager's escalation decision to top management. The ANOVA result (see Table 2 Panel A) shows the effect for consultant type is significant ($F = 4.427$, $p = 0.038$), providing support for H1b. However, given the significant interaction effect ($F = 15.236$, $p < 0.000$), we need to interpret this main effect with caution. We now turn to discussing this interaction effect in relation to H2a and H2b.

H2a predicts that assigning consultants a task to communicate project concerns to top management reduces their tendency to disagree with the project manager's escalation decision if they are internal consultants but not if they are external consultants. The ANOVA results show a significant interaction effect ($F = 4.817$, $p = 0.031$; see Table 1, Panel B, and Fig. 1 for a graphical illustration). Analyses of simple

¹¹ The placement of an understandability test immediately after the task purpose manipulation is unlikely to result in a demand effect because we are interested in the interaction between assigned task and consultant type, rather than a main effect for assigned task. Even if this question leads participants in all treatments to become aware that project concerns are of interest (not just project compliance), this recognition will increase the overall level of escalation recognition but not the relative effect on our dependent variables across treatments. A similar approach of placing the understandability check immediately after the experimental manipulation is also used in prior studies (e.g., Cheng et al., 2017; Payne et al., 2010).

¹² We reason participants in the “compliance check only” task misread this question as both assigned tasks started with the words “Advise on ...” in their descriptors. We find some support for this as most of the incorrect responses to the question were made by participants in the “compliance check only” task (34 of the 45 failures).

¹³ All reported statistical tests are two-tailed unless otherwise specified.

Table 1

Tendency to agree with the project manager's escalation decision (“tendency to agree”).

		Assigned Task				
		Compliance check only	Compliance check and advise concerns	Row average		
Consultant Type	Internal	3.33 (1.08) N = 18	4.93 (1.73) N = 29	4.32 (1.70) N = 47		
		3.56 (1.00) N = 25	3.84 (1.74) N = 32	3.72 (1.46) N = 57		
	External	3.47 (1.03) N = 43	4.36 (1.81) N = 61	3.99 (1.59) N = 104		
		Column average				
Panel B ANOVA results						
		SS	df	MS	F	p-value
Consultant Type		4.592	1	4.592	2.066	0.154
Assigned Task		21.947	1	21.947	9.876	0.002
Consultant Type x Assigned Task		10.704	1	10.704	4.817	0.031
Error		222.241	100	2.222		
Total		1917.000	104			
Panel C Simple effects						
		SS	df	MS	F	p-value
Effect of Assigned Task <i>within</i> Internal Consultant		28.351	1	28.351	12.757	0.001
Effect of Assigned Task <i>within</i> External Consultant		1.130	1	1.130	0.508	0.477

[#] “Tendency to agree” is measured by asking participants to respond to the question: “Do you agree with [the project manager's] decision to continue the project?”, using a 10-point scale where 1 = Strongly Disagree and 10 = Strongly Agree. Consultant type is manipulated by participants assuming either the role of an external consultant or an internal consultant. Assigned task is manipulated by participants being given the explicit task to either review the project's procedural compliance only (“compliance check only”) or to also advise top management if the participants have any concerns about the project (“compliance check and advise concern”).

effects indicate that the assigned task effect was significant for internal consultants (3.33 under “compliance check only” treatment, which is lower than 4.93 under “compliance check and advise concerns” treatment, $F = 12.757$, $p = 0.001$, see Table 1 Panel C), but not significant for external consultants (averages of 3.56 and 3.84 for “compliance check only” treatment, and “compliance check and advise concerns” treatment, respectively; $F = 0.508$, $p = 0.477$). The results therefore provide support for H2a.

H2b predicts that the assignment of a task to consultants that involves communicating project concerns to top management reduces their willingness to do so if they are internal consultants, but not if they are external consultants. ANOVA results from Table 2 Panel B show a significant interaction effect ($F = 15.236$, $p < 0.000$; see also Fig. 2). As expected, the level of willingness to communicate escalation concerns is higher for internal consultants assigned a “compliance check only” task (6.39), than internal consultants assigned a task to “check compliance and advise concerns” (5.00); this difference is significant ($F = 29.314$, $p < 0.000$; see Table 2 Panel C). In contrast, there is no difference between the two assigned task conditions for external

Table 2
Willingness to communicate escalation concerns to top management.

Panel A		Assigned Task			Row average
Mean (standard deviation) for willingness to communicate escalation concerns [1 = Definitely No; 7 = Definitely Yes] [#]					
Consultant Type		Compliance check only	Compliance check and advise concerns		
Internal		6.39 (0.78) N = 18	5.00 (0.85) N = 29		5.53 (1.06) N = 47
	External	6.08 (0.91) N = 25	6.03 (0.86) N = 32		6.05 (0.87) N = 57
Column average		6.21 (0.86) N = 43	5.54 (0.99) N = 61		5.82 (0.99) N = 104

Panel B ANOVA results					
	SS	df	MS	F	p-value
Consultant Type	3.235	1	3.235	4.427	0.038
Assigned Task	12.814	1	12.814	17.533	< 0.000
Consultant Type x Assigned Task	11.135	1	11.135	15.236	< 0.000
Error	73.087	100	0.731		
Total	3621.000	104			

Panel C: Simple effects					
	SS	df	MS	F	p-value
Effect of Assigned Task <i>within</i> Internal Consultant	21.424	1	21.424	29.314	< 0.000
Effect of Assigned Task <i>within</i> External Consultant	0.033	1	0.033	0.046	0.831

[#] “Willingness to communicate escalation concerns” is measured by asking participants to respond to the question: “Will you arrange a meeting with [top management] to discuss [the project manager’s] decision to continue the project?”, using a 7-point scale where 1 = Definitely No and 7 = Definitely Yes. Consultant type is manipulated by participants assuming either the role of an external consultant or an internal consultant. Assigned task is manipulated by participants being given the explicit task to either review the project’s procedural compliance only (“compliance check only”) or to also advise top management if the participants have any concerns about the project (“compliance check and advise concern”).

consultants (means of 6.08 for “compliance check only” treatment and 6.03 for the “compliance check and advise concerns” treatment, see Table 2 Panel A; $F = 0.046$, $p = 0.831$, see Table 2 Panel C). Hence, H2b is also supported.¹⁴

¹⁴ Our results based on the full sample ($N = 160$) are generally consistent with the reduced sample. For H1a and H2a (dependent variable = Tendency to Agree), we find a significant main effect for Consultant Type ($F = 7.286$, $p = 0.008$, supporting H1a). The interaction effect is weaker and is marginally significant at one-tailed ($F = 2.384$, $p = 0.125$ two-tailed or $p = 0.07$ one-tailed). Results from simple effect tests show that the Assigned Task effect is significant in the Internal Consultant condition ($F = 4.570$, $p = 0.034$) but not significant in the External Consultant condition ($F = 0.000$, $p = 0.995$), providing marginal support for H2a. For H1b and H2b (dependent variable = Willingness to Communicate), the full sample shows a significant Consultant Type main effect ($F = 4.701$, $p = 0.032$), supporting H1b. We also find a marginally significant interaction effect ($F = 3.341$, $p = 0.069$), followed by simple effects that show that Assigned Task is significant in the Internal Consultant condition ($F = 8.148$, $p = 0.005$) but not in the External Consultant condition ($F = 0.108$, $p = 0.743$). Thus, H2b receives marginal support.

4.3. Conditional process model

Earlier we argued that consultants need to first recognize and disagree with the project manager’s escalation decision before they can decide whether to communicate their concerns to top management. As such, we conduct additional analyses to test a conditional process model, to examine if the consultant’s tendency to agree with the project manager mediates the relationship between the type of consultant and the consultants’ willingness to communicate escalation concerns, and whether this mediation effect is conditional upon the nature of the task assigned to the consultants. We note that, on average, and consistent with the escalation scenario being unambiguous in our setting, participants tend to disagree with the project manager’s decisions; but there are variations across treatments, with participants in the internal consultant/compliance check and advise concern treatment having the highest level of agreement with the project manager.

We use Hayes’ (2013) PROCESS macro with 10,000 bootstrap samples to test a conditional mediation model. The PROCESS macro is a path-analysis based computation tool that has the capability to test different combinations of direct, indirect and moderation effects (Hayes, 2013). It has been used in a number of accounting experimental studies to test mediation effects (e.g., Bobek et al., 2015; Commerford et al., 2018). PROCESS is particularly useful in our analyses because it simultaneously tests a combination of mediation and moderated mediation effects in one overall conditional process model. Fig. 3 presents the proposed conceptual model, while Table 3 reports coefficients and significance of both the direct and indirect paths of the model.

First, we examine the direct paths that correspond to the proposed hypotheses and our earlier ANOVA results. Table 3 Panel A shows that, consistent with H1a and H1b, there is a marginally significant negative path from Consultant Type to Tendency to Agree ($b = -0.544$, $p = 0.067$) and a significant positive path from Consultant Type to Willingness to Communicate ($b = 0.415$, $p = 0.016$). These results indicate that external consultants (compared with internal consultants) are less likely to agree with the project manager’s escalation decision and are more willing to communicate their concerns to top management. Consistent with the interaction effects predicted by H2a and H2b, Table 3 Panel A also shows a significant direct moderation effect on both Tendency to Agree ($b = -1.314$, $p = 0.031$) and Willingness to Communicate ($b = 1.196$, $p = 0.001$). Overall, the direct paths in the PROCESS model are consistent with our earlier analyses.

Next, we consider the indirect paths. Table 3 Panel B shows a partial conditional indirect effect, that is, the mediation path from Consultant Type via Tendency to Agree to Willingness to Communicate is conditional on the type of Assigned Task.¹⁵ Specifically, the mediation effect is significant only when the consultants are asked to perform compliance check and advise concerns ($b = 0.414$, confidence interval: 0.013 to 0.331), but not when the consultants are asked to perform compliance check only ($b = -0.587$, confidence interval: -0.148 to 0.035, including a zero which indicates that the difference is not significant). This significant mediation path is consistent with the concept of vicarious escalation (Gunia et al., 2009); when explicitly asked to advise top management of any project concerns, the internal consultants who feel an affiliation with their fellow employees may have taken on the project manager’s perspective and become more agreeable with the project manager’s decision, which then lowers their willingness to communicate escalation concerns to top management. The direct moderation effect discussed earlier, on the other hand, suggests that even if the internal consultants disagree with the project manager’s escalation decision, they are still less willing to communicate escalation

¹⁵ This is a partial rather than full conditional indirect effect because the direct effect from the independent variable (consultant type) to the dependant variable (willingness to communicate) remains significant after including the indirect path.

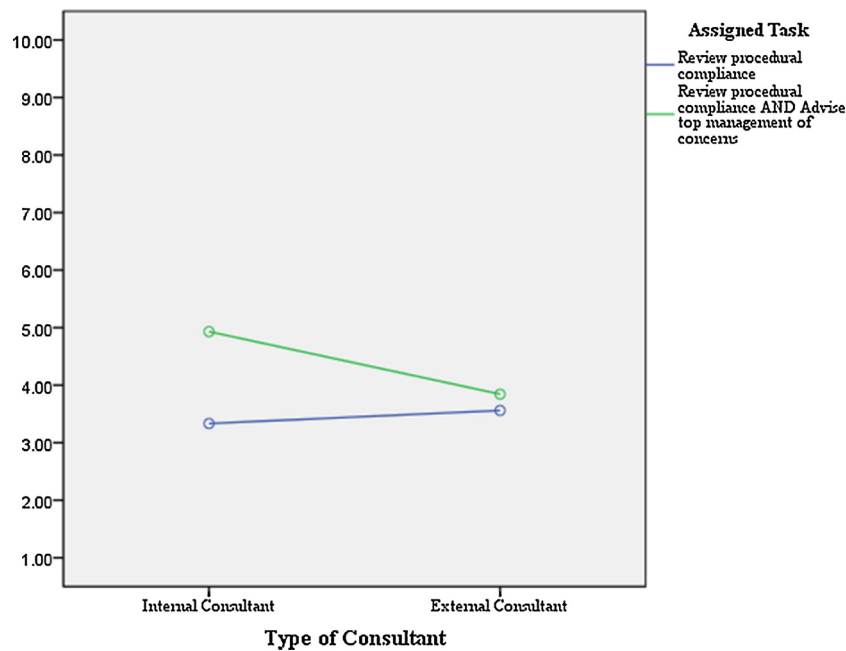


Fig. 1. The effect of ‘Consultant Type’ and ‘Assigned Task’ on the tendency to agree with the project manager’s decision (“tendency to agree”).

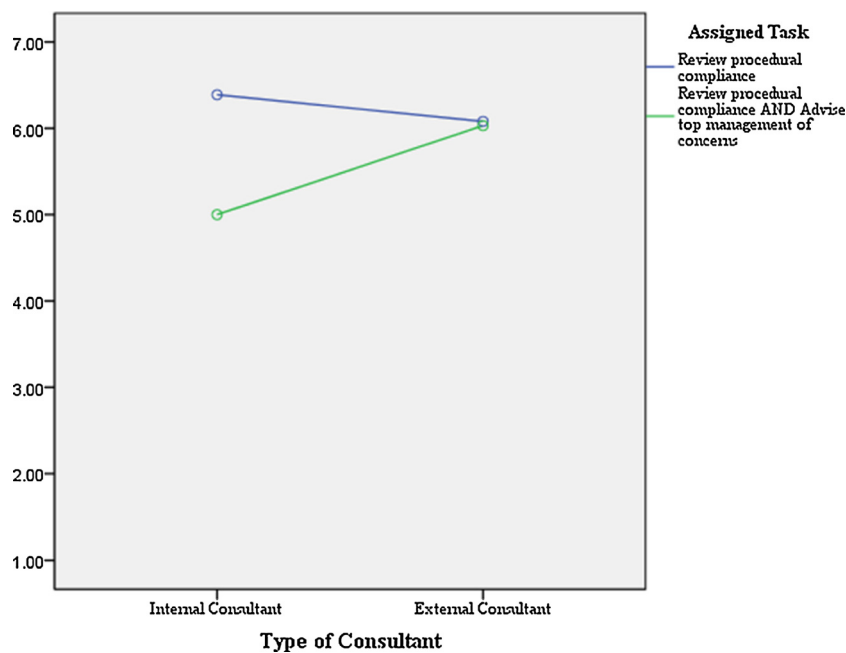


Fig. 2. The effect of ‘Consultant Type’ and ‘Assigned Task’ on the willingness to communicate escalation concerns to top management.

concerns to top management if they were assigned a task that explicitly asks them to do so.¹⁶ In summary, this model suggests that the interaction effect predicted in H2b between the type of consultant and the nature of the assigned task on the consultants’ willingness to communicate project concerns occurs both directly (likely due to the social

identity conflict experienced), and indirectly, via consultants’ agreement with the project manager’s decision.

4.4. Additional analyses: factors that influence the consultants’ decisions

To gain further insights into why the participants’ role as an internal versus external consultant has affected their decision to communicate concerns to top management, participants were asked to rate the extent to which six factors have influenced their decision to meet with top management to communicate their concerns. Three factors relate to participants’ psychological feelings regarding the project team: the loyalty they feel towards the project team (“loyalty to project team”); the feeling that they should not discuss with top management information that the project team has informally mentioned (“should not

¹⁶ We also asked participants to indicate that, regardless of their earlier responses, to what extent they would bring up the following information in a meeting with top management: nonfinancial information about the project, financial information about the project, information from informal discussions with team members, and their opinion on whether the project manager should be continuing the project. We find no significant differences in participants’ willingness to bring up these different types of information across the four treatment groups.

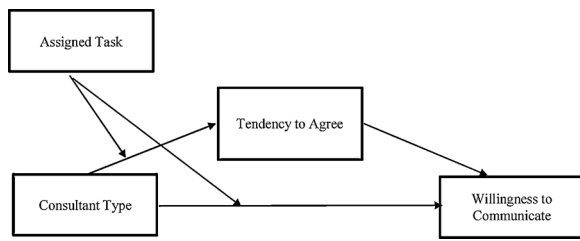


Fig. 3. Conceptual model of conditional mediation. Consultant Type = internal consultant [code = 1] vs external consultant [code = 2] (manipulated variable); Assigned Task = compliance check only [code = 1] vs compliance check and advise concerns [code = 2] (manipulated variable); Tendency to Agree = tendency to agree with the project manager’s escalation decision (higher score = higher agreement; measured variable); Willingness to Communicate = willingness to communicate escalation concerns to top management (higher score = higher willingness to communicate escalation concerns; measured variable).

Table 3
Conditional meditation analysis.

Panel A	Coefficient	p-value
Direct paths		
Consultant Type → Tendency to Agree [H1a]	-0.544	0.067
Consultant Type → Willingness to Communicate [H1b]	0.415	0.016
Tendency to Agree → Willingness to communicate	-0.114	0.047
Consultant Type * Assigned Task → Tendency to Agree (Moderation effect on Tendency to Agree) [H2a]	-1.314	0.031
Consultant Type * Assigned Task → Willingness to Communicate (Moderation effect on Willingness to Communicate) [H2b]	1.196	0.001
Panel B		
Conditional indirect path: Consultant Type → Tendency to Agree → Willingness to Communicate		
Assigned Task treatment	Coefficient	Confidence interval
		LL UL
Compliance check only	-0.587	-0.148 0.035
Compliance check and advise concerns	0.414	0.013 0.331

Consultant Type = internal consultant vs external consultant (manipulated variable); Assigned Task = compliance check only vs compliance check and advise concerns (manipulated variable); Tendency to Agree = tendency to agree with the project manager’s escalation decision (measured variable); Willingness to Communicate = willingness to communicate escalation concerns to top management (measured variable).

disclose team discussion”); and feeling bad if their discussion with top management would negatively affect the project team (“negative impacts on project team”). Two factors relate to the participants’ feeling towards the company/top management: feeling bad that the company’s performance may suffer if they do not communicate their concerns (“concerns for company performance”); and their responsibility to communicate all relevant information to top management (“responsibility to communicate all information”). A final factor relates to the nature of the information – the extent to which they feel that information from informal discussions is unreliable and should not be communicated to top management (“information reliability”). The descriptive statistics for these six factors are shown in Table 4.

ANOVA results (untabulated) show that compared with external consultants, internal consultants are influenced to a greater extent by their loyalty to the project team (means of 4.72 vs 3.82, $F = 6.306$, $p = 0.014$), and that they should not disclose team discussions (means of 4.62 vs 3.82, $F = 5,267$, $p = 0.024$). These results provide some supplementary support for our expectation that internal consultants identify more strongly with the project team than external consultants. The significant difference in the “should not disclose team discussions”

also suggests that internal consultants have higher reservations about communicating information from team discussions outside the team, compared to external consultants.

Internal consultants are more likely than external consultants to perceive that information from their informal discussions with the project team is less reliable and hence should not be communicated to top management (means of 4.26 vs 3.51, $F = 5.166$, $p = 0.025$). This suggests that perceptions of information reliability may have influenced the internal consultants’ reduced willingness to communicate information from team discussions. Finally, we observe a significant disordinal interaction effect for the influence factor “responsibility to communicate all information” ($F = 4.800$, $p = 0.031$); requiring consultants to advise project concerns lowers the influence of this factor for internal consultants from 5.67 to 4.79, but increases the influence of this factor slightly for external consultants from 5.40 to 5.81. This is consistent with our results for H2b; the requirement to advise project concerns might have increased the salience of a social identity conflict for internal consultants, reducing their sense of responsibility to top management relative to their social group (the project team). Overall, we find the additional analysis results are generally consistent with the argument that internal consultants are more strongly influenced by factors relating to the project team than external consultants.

5. Discussion and conclusion

Prior research shows that project managers often escalate their commitment to poorly performing projects in order to justify their initial responsibility for starting the project. Thus the use of third party consultants has been suggested as a potential management control mechanism for de-escalation. Drawing on social identity theory, we hypothesize that internal consultants are less likely to disagree with a fellow project manager’s decision to escalate commitment and are less willing to communicate their concerns to top management about a project suffering from escalation than external consultants. While we only find a predicted significant main effect for the consultants’ willingness to communicate their project concerns, we find an expected significant interaction effect where the task assigned to the internal consultants influences their agreement with the project manager’s decision and their willingness to communicate concerns to top management.

Specifically, we find that the explicit assignment of a project-relevant task that includes the communication of concerns to top management reduces both internal consultants’ tendency to disagree with the project manager’s escalation decision and their willingness to communicate their escalation concerns to top management; however, task purpose does not affect external consultants. As a result, in the presence of such a task purpose, the use of external consultants represents a more effective control mechanism than internal consultants. We further show that this interaction effect on consultants’ willingness to communicate escalation concern is partially mediated by their tendency to agree with the project manager’s escalation decision. The result of this moderated mediation model is particularly interesting, as it shows that internal consultants’ lower tendency to report escalation concerns occurs through two paths. First, an indirect path where the assigned task purpose reduces internal consultants’ tendency to disagree with the project manager’s escalation decision, and in turn affects their willingness to report escalation. This suggests that internal consultants’ psychological connection to the project manager and the project team may have caused them to take on the feelings and commitment experienced by the project manager (Gunia et al., 2009). Second, the interaction effect also directly affects internal consultants’ willingness to report escalation, which indicates that even if internal consultants disagree with the project manager’s decision, they are less willing to report their escalation concerns compared with the external consultants. It is worth noting that in our experimental setting the escalation problem is particularly salient as both financial and

Table 4

Means (standard deviations) of factors that have influenced participants' decisions to communicate escalation concerns (1 = Low influence; 7 = High influence).

Factor of influence [#]	Internal consultants			External consultants					Overall average N = 104
	Compliance check only N = 18	Compliance check and advise concerns N = 29	Average – internal consultants N = 47	Compliance check only N = 25	Compliance check and advise concerns N = 32	Average – external consultants N = 57	Average – compliance check only N = 43	Average – compliance check and advise concerns N = 61	
i) Loyalty to the project team ^a	4.56 (2.04)	4.83 (1.56)	4.72 (1.75)	3.56 (1.47)	4.03 (2.01)	3.82 (1.79)	3.98 (1.78)	4.41 (1.84)	4.23 (1.82)
ii) Should not disclose team discussion ^a	4.61 (1.42)	4.62 (1.72)	4.62 (1.60)	4.20 (1.80)	3.53 (1.50)	3.82 (1.66)	4.37 (1.65)	4.05 (1.69)	4.18 (1.67)
iii) Negative impacts on project team	4.33 (1.64)	4.83 (1.49)	4.64 (1.55)	4.16 (1.82)	3.91 (1.77)	4.02 (1.78)	4.23 (1.73)	4.34 (1.69)	4.30 (1.70)
iv) Concerns for company performance ^b	6.06 (1.00)	5.90 (0.94)	5.96 (0.95)	5.16 (1.57)	5.97 (1.23)	5.61 (1.44)	5.53 (1.42)	5.93 (1.09)	5.77 (1.25)
v) Information reliability ^a	4.39 (1.20)	4.17 (1.61)	4.26 (1.45)	3.80 (1.76)	3.28 (1.73)	3.51 (1.74)	4.05 (1.56)	3.70 (1.72)	3.85 (1.65)
vi) Responsibility to communicate all information ^b	5.67 (1.24)	4.79 (1.84)	5.13 (1.68)	5.40 (1.53)	5.81 (1.09)	5.63 (1.30)	5.51 (1.40)	5.33 (1.57)	5.40 (1.50)

^a ANOVA results show a significant main effect for consultant type ($p < 0.05$).

^b ANOVA results show a significant interaction effect ($p < 0.05$).

[#] These factors are measured by asking participants to respond to the question: "To what extent does each of the following factors influence your previous decision on whether and what to discuss with AIS top management?". The six factors are: i) The loyalty I feel towards [the project team]; ii) I feel that I should not discuss with [top management] the information the project team members informally mentioned to me; iii) I would feel bad if my discussion with [top management] negatively affected the project team (e.g., resulting in the termination of [the project] or unfavorable career impacts on the team members); iv) I would feel bad that [the company's] performance will suffer if I do not discuss my concerns about the project; v) I feel that information from informal discussions is less reliable and so should not be communicated to top management; vi) It is my responsibility to communicate all relevant project information to top management even if the information comes from informal discussions.

nonfinancial information – and even the informal information provided by the team members – all unambiguously indicate that the project is performing poorly and is unlikely to improve in the future. Nonetheless, the purpose of the task has significantly lowered the internal consultants' willingness to bring their escalation concerns to the top management's attention.

The use of an independent reviewer – one that has not been previously involved in the project initiation stage – has often been touted as a logical and effective way to prevent escalation of commitment. Kadous and Sedor (2004) find that consultants are effective in recommending de-escalation only where they are able to identify project problems, and Brügger and Luft (2016) find that having different decision makers for the initial funding decision and subsequent funding continuation decision can lead to greater initial cost underestimation. Our study investigates the willingness of independent reviewers to communicate their concerns about a clear case of escalation of commitment, which is a first step that can enable top management to act on a de-escalation strategy. Results from our study show that in cases where organizations prefer to engage internal consultants to review ongoing projects (e.g., due to cost concerns, confidentiality requirements, or where organization-specific knowledge is important), assigning internal consultants a specific task purpose to communicate their concerns can reduce the effectiveness of this process.

Our findings are also important because they highlight the decision framing effect that the assignment of task purposes can have on individuals' decision making. While the assignment of a task's purpose can help define and clarify the responsibilities of organizational members, it may also influence the framing of decision tasks in a way that can result in less desirable outcomes. Consultancy is costly for organizations, so the choice between hiring internal or external consultants often comes down to a value-for-money consideration (Henley, 2008; Sturdy, 2011). Our results indicate there are differences between external consultants and internal consultants and these differences may be more or less salient according to context; organizations should pay close attention to these differences where effective management control over

project continuance decisions is sought. For example, the effect of social identification is likely to be influenced by the size and geographical dispersion of organizations, as the social and geographical distance between employees are likely smaller for smaller, single-location organizations. For these organizations, external consultants may be more effective in communicating project concerns to top management, irrespective of the tasks assigned to them, making them the optimal choice for de-escalating projects. Where the hiring of external consultants is not feasible or cost-effective, careful consideration needs to be given to the framing of decision task for internal consultants in order avoid triggering social identification effects. Prior literature suggests that strengthening the reviewer's professional identity (Bamber and Iyer, 2007; Bauer, 2015) and increasing the reviewer's awareness of different identities (e.g., Cooper and Thatcher, 2010) can potentially overcome undesirable social identity effects.

Our results should be interpreted in light of a few limitations. First, our experiment asks participants to assume the consultant role, which may not be as strong as being a consultant in practice. Further, internal consultants in very large organizations may not identify with project teams as colleagues if there is a great intra-organization distance between them. However, the "minimal group paradigm" findings show that even the most arbitrary assignments based on words, without interaction, can produce social identity effects (Ahmed, 2007; Tajfel, 1970). We argue this is consistent with our findings, and that practicing consultants would make this social identity effect more salient than in our experimental setting. Future research could examine if repeated group interactions (between the consultant and the project team members) could also strengthen the results. Future research could also investigate if organizational size could reduce social identification effects between the internal consultants and the project team being evaluated. Second, our experiment scenarios illustrate cases where the project problems are clear and, thus, once recognized, recommending de-escalation seems the rational choice. Future research could examine whether the consultants' willingness to communicate concerns may be influenced where the information provided is more ambiguous. Future

research could also examine if there may be other factors that differentiate between internal and external consultants and their impact on decision making. It could investigate if experience and/or an individual's self-selection into the consultancy business could shape the influence of social identity on decision making. Third, in our experiment scenarios both the internal consultant and the project manager report to the same superior (the CEO acting on behalf of the organization's top management). In practice, however, internal consultants and the project team may report to different management groups within the organization. Future research could examine if reporting to different management (e.g., CFO, different departmental manager) could dampen the social identity conflict experienced by the internal consultants and therefore improve their willingness to communicate their concerns about project escalation.

Conflicts of interest

None.

As submitting author, I, Chang-Yuan Loh, confirm that this paper has not been published, nor is it under review, in other journals.

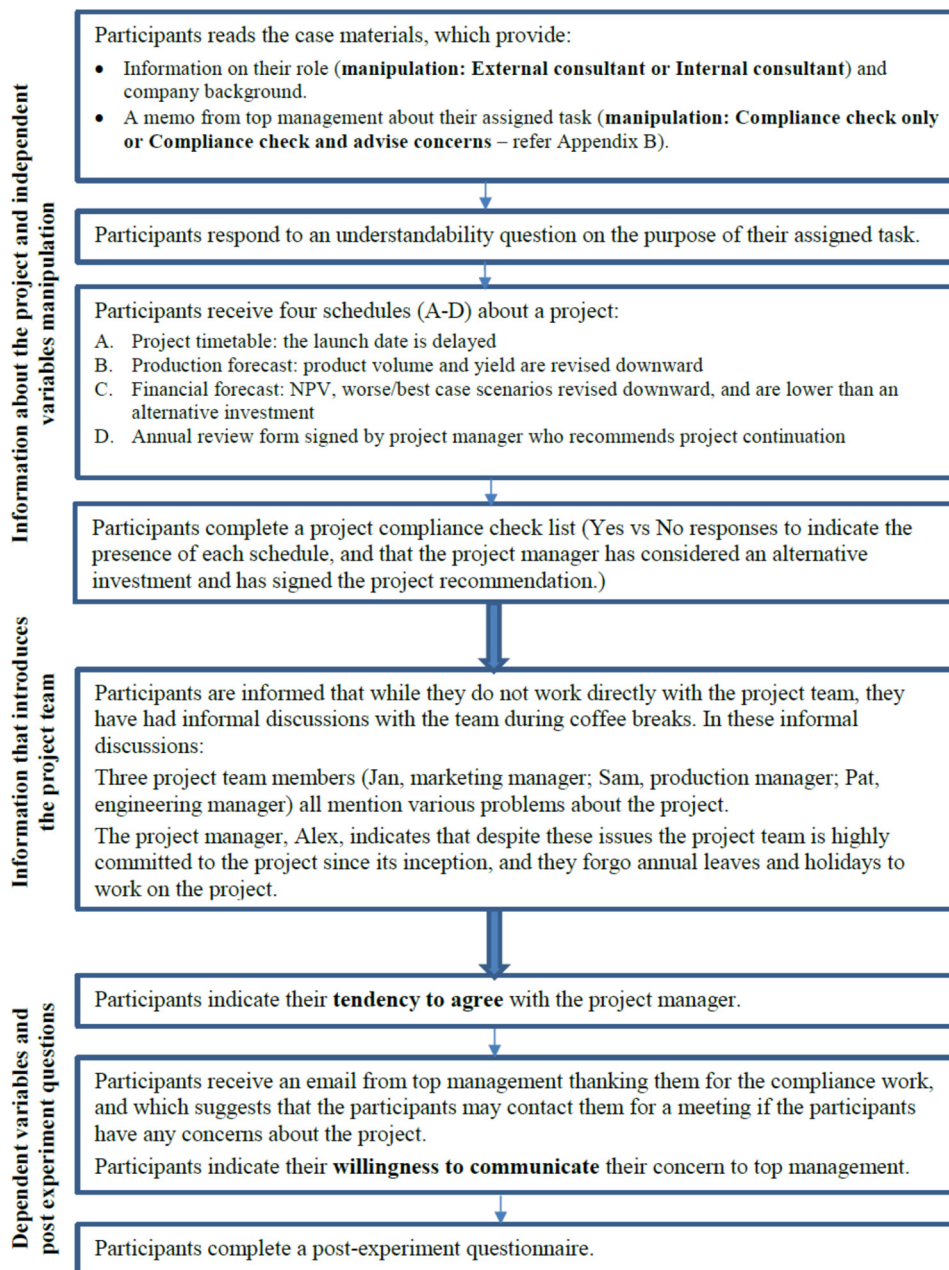
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Appendix A. Summary of the experimental task



Appendix B. Manipulation of assigned task purpose

Participants receive one of the following two memos

Compliance only treatment

[Memo]

From: The CEO (on behalf of AIS top management)

Greetings,

As the External Consultant [*or Internal Consultant depending on treatment*] you will be reviewing AIS' projects. The project we want you to review this week is the X2000.

Specifically, you have been assigned one task to complete for the X2000:

Task

Advise top management on whether the project is in compliance with prescribed project management procedures (via the completion of a compliance checklist).

Compliance and advise project concerns treatment

[Memo]

From: The CEO (on behalf of AIS top management)

Greetings,

As the External Consultant [*or Internal Consultant depending on treatment*] you will be reviewing AIS' projects. The project we want you to review this week is the X2000.

Specifically, you have been assigned two tasks to complete for the X2000:

First task

Advise top management on whether the project is in compliance with prescribed project management procedures (via the completion of a compliance checklist).

Second task

If you have any concerns regarding the project, advise top management of them.

Appendix C. Supplementary data

Supplementary material related to this article can be found, in the online version, at doi:<https://doi.org/10.1016/j.mar.2018.09.002>.

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