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Investigating the Influence of Honesty and Conscientiousness on Reporting Accuracy in Participative Budgeting

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Abstract: This study investigates participative budgeting and explores the influence of managers' individual personality traits of honesty and conscientiousness on the accuracy of their disclosure of private budgeting information. The study is grounded in the principal agent framework. A behavioral economics experiment was conducted using a modified trust contract design in a laboratory setting. Participants were assigned to three compensation conditions (fixed wage, individual incentive, and group incentive) and completed budgeting tasks across multiple rounds. The agents' personal trait of honesty was not a significant predictor of accurate information reporting in the fixed wage condition but showed marginal significance in the incentive conditions. Conscientiousness was negatively correlated with accuracy in the fixed wage and group incentive conditions but not in the individual incentive condition. The findings suggest that personality traits influence accurate managerial reporting, but their effects are situational. These results have implications for organizational behavior theory and managerial practices related to budgetary control and ethical decision-making.

Key words: participative budgeting, personality traits, managerial reporting, honesty
JEL codes: D82, D86, D91, M52

1. Introduction

Using the principal agent framework, this research examines agent reporting accuracy in a budgeting context. Accurate financial information is vital to the functioning of modern financial systems. Various stakeholder, including investors, regulators, workers, etc., rely on accurate financial reporting in their interactions with businesses. Without accurate, honest, and timely financial reporting trust is eroded and overall market stability is undermined. In organizations, budgeting is a primary management control mechanism and a critical component of a well-managed and successful organization. Budgeting is a tool allowing organizations to oversee financial decision making and evaluate decisions making outcomes, facilitating rational and reasoned economic decisions, the allocation of resources in service of tactical and strategic goals, and tracking income and expenses. The issue of accurate reporting of financial information is a topic studied across academic disciplines. Past research

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examining factors influencing the accuracy of managers in information reporting have looked at environmental factors, including financial incentive structures, corporate culture, and the regulatory frameworks. That research has generally focused on how external factors impact or influence the attitudes and actions of managers when reporting financial information.

1.1 Problem Statement

A growing number of organizations are adopting participative budgeting as a way of improving organizational control. In general, the budgeting process is predicated on assumptions that financial information is accurate; sometimes a tenuous assumption. The accuracy of reported budget information often depends on human judgments and choice, which are influenced by both external and internal forces. Extensive research has documented how external pressures influence the reporting behaviors of individuals involved the budgeting process. Less attention has been given to internal factors, such as individual personality traits, which may also influence the financial reporting process.

1.2 Research Question

The motivation for this study is to examine the influence the personality traits of honesty and conscientiousness have on financial reporting in participative budgeting. Additionally, it explores whether compensation structures moderate this relationship. Examining individuals' personality traits is an underexplored area within the subject of how, when, and why businesses report accurate financial information to various stakeholders. This is an important issue in areas of financial transparency, improving corporate governance, and ensuring that budgets serve as reliable tools for managerial planning and control.

1.3 Theoretical Contribution

This study contributes to the management literature by examining how individual personality traits of honesty and conscientiousness influence participative budgeting. Previous experimental budgeting research has recognized deviations from the predictions of agency theory. The explanations for those deviations have often focused on external variables such as trust, organizational norms, and incentives. By examining the influence of personality trait variables within the participative budgeting process, we create a more nuanced understanding of why some individuals behave more ethically than others in identical financial situations. We document that all managers are not susceptible to ethical lapses driven by financial incentives.

1.4 Managerial Relevance

This research has direct practical implications for managerial decision-making and corporate governance. Organizations are increasingly using participative budgeting to enhance managerial engagement, improve decision-making processes, and foster accountability, however participative budgeting can create opportunities for manipulation. Understanding how personality traits drive accuracy in budget reporting can inform human resource strategies, particularly in personnel selection and performance evaluations. Additionally, recognizing the moderating role of compensation structures may help organizations design incentive plans that align financial rewards with ethical behavior rather than encouraging opportunistic misrepresentations. The following sections of the paper are a literature review, hypothesis development, methods, results, and discussion.

2. Literature Review

2.1 Theoretical Framework

This study uses agency theory as its theoretical framework. Agency theory examines the inherent conflict between principals (owners) and agents (employees) that are created from their differing self-interests and information asymmetries (Jensen & Meckling, 2019). The theory is widely studied in areas such as corporate governance, management, economics, and law. In the principal agent framework, an underlying assumption is that individuals are self-interested decision makers intending to maximize their own utility. Self-interested agents will manipulate organizational processes for personal gain; they will try to game the system. In agency theory, there are inherent conflicts between the principal and agent which can lessened by the principal through contract types such as fixed wages, individual incentives, and group incentives (Boster, Majerczyk, & Tian, 2018). However, not all individuals maximize their self-interest, raising an interesting question about human behavior: Why do some people act in a self-interested manner, while others do not? Some agents (employees) are honest despite incentives to misreport private information, suggesting that individual factors such as personality may play a role in decision-making (Cadsby, Song, & Tapon, 2007; Mendes, Mendes, & Salleh, 2019). In the next section we will discuss participative budgeting and principal agent issues.

2.2 Participative Budgeting

Participative budgeting research is a well-developed area of experimental accounting literature. These studies often use agency theory and the assumption of a rational, self-interested principal (owner) seeking to elicit private information possessed by a rational, self-interested agent (manager) through the optimal design of an incentive contract where the employee has private information (Brown, Evans III, & Moser, 2009). In these studies, manager often possess specialized knowledge and skills which are essential for efficiently and effectively accomplishing the organization's purposes (Church, Lynn Hannan, & Kuang, 2014). However, the employee's asymmetric information raises agency problems; manager with unique knowledge and expertise can opportunistically use this information to maximize their individual wealth at the expense of the owner.

The participative budgeting studies often utilize a trust contract model (Evans III, Hannan, Krishnan, & Moser, 2001) for testing agency theory predictions (Brown et al., 2009). The trust contract model is a controlled experiment environment where employees can misrepresent information for personal gain. Interestingly, in the research using trust contracts, some managers behave more honestly than agency theory predicts (Brown et al., 2009). Not all manager overstate costs or understate capabilities to create budgetary slack; the intentional misrepresentation of resource needs to gain easier performance targets (Church et al., 2014; Evans III et al., 2001; Newman, 2014; Rankin, Schwartz, & Young, 2008; Stevens, 2002). Budgetary slack creation is negatively associated with reputation and ethical concerns, contradicting agency theory's assumption that employees prioritize wealth or leisure maximization (Stevens, 2002). Instead, internal honesty norms play a key role in managers' behaviors (Rankin et al., 2008), aligning with the arguments made by Hannan, Rankin, and Towry (2006) that social norms influence decision-making. This growing body of research underscores the role of individual characteristics and ethical considerations in managerial reporting (Church et al., 2014).

The processes of participative budgeting have been studied within the principal agent perspective. However, the influences of personal traits within the principal agent framework are understudied. Therefore, we examine the role of honesty and conscientiousness within a budgeting framework. Agency theory predicts that employees

maximize their own benefits unless they are constrained or hampered by incentives or monitoring. Research on agency theory has found support for its core predictions but the supporting evidence is context dependent. Studies in experimental economics and psychology have found that behaviors are not exclusively driven by a rational utility driven cost versus benefit analysis. Instead, the research suggests a more nuanced view of human motivations and behaviors and that individuals display varying levels of honest behavior, and some individuals choose to be honest even when dishonesty offers a financial benefit (Rosenbaum, Billinger, & Stieglitz, 2014).

2.3 Hypothesis Development

An interesting question is why individuals don't maximize their financial utility and engage in opportunistic behavior despite incentives to do so. It may be that individuals weigh not only the material cost and benefits of opportunistic behavior but also behaviors' psychological costs. From a psychological perspective, dishonesty creates emotional and or mental discomfort, which individuals weigh against the material gains of opportunistic behaviors (Fischbacher & Föllmi-Heusi, 2013; Gneezy, 2005). Additionally, individuals may avoid opportunistic behaviors as a self-concept maintenance strategy, which suggests individuals limit opportunistic behaviors to preserve a positive moral self-image (Mazar, Amir, & Ariely, 2008).

2.4 Honesty-Humility

This suggests individuals might engage in minor opportunistic behaviors that do not significantly challenge their self-perception; the moral equivalence of a small deception of little consequence. However, individuals avoid major opportunistic acts as those acts would challenge their self-perception of personal integrity. Additionally, research has found personality traits are an important factor in workplace decision-making and behaviors (Ones, Dilchert, Viswesvaran, & Judge, 2007; Tett & Burnett, 2003; Tett & Christiansen, 2007). For instance, measures of personal traits such as honesty, trustworthiness, and moral reasoning are strong predictors of both job performance and detrimental workplace behaviors (Berry, Sackett, & Wiemann, 2007; Schmidt & Hunter, 1998). The personality trait of honesty is positively associated with positive ethical workplace behaviors (Hilbig & Zettler, 2009; Kleinlogel, Dietz, & Antonakis, 2018). Individuals scoring high in honesty in personality measures exhibit strong moral principles, value fairness, and are less motivated by financial self-interest. These findings suggest that personality traits can influence ethical decision-making in workplace settings, including participative budgeting environments where individuals report private information. Once such workplace setting that could alter decision making is the nature of the compensation system. The line of reasoning presented leads to the following set of hypotheses:

H1: Personal honesty is positively associated with accurate associated with accurate reporting in a participative budget setting.

H1a: In a fixed wage setting, personal honesty is positively associated with accurate reporting in a participative budgeting setting.

H1b: In an individual incentive setting, personal honesty is positively associated with accurate reporting in a participative budget setting.

H1c: In a group incentive setting, personal honesty is associated with accurate reporting in a participative budget setting.

2.5 Conscientiousness

Conscientiousness is another personality trait relevant to ethical decision making. It is associated with

diligence, responsibility, and self-discipline, making it a strong predictor of job performance and work-related behaviors (Ones et al., 2007). Highly conscientious individuals are more likely to follow organizational rules, norms, and ethical standards. As with most personality traits and their influence on personal behaviors, the influence of consciousness personal behaviors is complex, especially in contexts where opportunistic behaviors can yield financial gains without risk of detection.

Conscientiousness may influence ethical behavior through individuals' perceptions of risk. When taking actions, conscientious individuals are more likely to consider long terms risk and or consequences associated with their actions, weighing potential negative outcomes (including reputational damage) against short term benefits (Van Gelder & De Vries, 2016). The ability of individuals to have internal conversations about the pros and cons of actions enables conscientious individuals to balance short-term gains and long-term consequences. In situations where misreporting information carries significant penalties, conscientiousness would help deter opportunistic behaviors. Conversely, where opportunistic behaviors such as misreporting information is undetectable and financially rewarding (participative budgeting for example) conscientiousness may not function as a deterrent to such behaviors.

Additionally, Ashton & Lee (2007) suggest that conscientiousness is mainly about being focused on tasks, such as planning, staying organized, and working hard to achieve success. It is a pragmatic decision-making mindset. This means that a highly conscientious person is not inevitably more ethical as they are focused on efficiency and achieving goals. In contexts where opportunistic behaviors are a viable strategy for maximizing personal gain, individuals high in conscientiousness may engage in misreporting to optimize financial outcomes. Conscientious individuals may prioritize task efficiency over ethical concerns when no deterrents are in place (De Vries, Pathak, Van Gelder, & Singh, 2017). In the current study, participative budgeting provides a setting where individuals can strategically misreport private information without facing penalties. Given that conscientiousness reflects diligence and goal-directed behavior rather than moral considerations, we expect that individuals with higher conscientiousness scores may engage in strategic opportunistic behaviors to maximize financial rewards. As noted above, compensation systems may also alter the behavior of conscientious individuals. Based on this reasoning we hypothesize the following:

H2: Personal conscientiousness is negatively associated with accurate reporting in a participative budget setting.

H2a: In a fixed wage setting, personal conscientiousness is negatively associated with accurate reporting in a participative budget setting.

H2b: In an individual incentive setting, personal conscientiousness is negatively associated with accurate reporting in a participative budget setting.

H2c: In a group incentive setting, personal conscientiousness is negatively associated with accurate reporting in a participative budget setting.

3. Methods

3.1 Participants

Participants attended a moderate-sized, liberal arts institution in the mid-Atlantic region of the United States. The 162 participants averaged 20.2 years of age with a 3.1 grade-point-average. Participants represented each of the schools in the university and all academic levels except doctoral students. The sample group was 62.3% female and 37.8% male. See Table 1.

Table 1 Participant Demographics

	Total	Women	Men
n	162	101	61
Age	20.18	20.0	20.4
Std dev	2.18	1.97	2.46
Minimum	18	18	18
Maximum	32	30	32
GPA	3.1	3.2	3.0
Std Dev	0.58	0.57	0.58

The 162 participants were assigned to 54 groups of three. A group of participants saw only one of the three contract types: fixed, individual, or group. The result was 18 groups (54 participants) in each contract condition. The contract type determined how a participant would be compensated. Each participant saw one, and only one, contract type.

3.2 Experiment Design

Experimental settings investigating agency problems frequently employ a trust contract model as utilized in Evans III et al. (2001) as it provides a simple testing environment where the parameters can be individually isolated and incrementally altered. The trust contract model has the following features: (1) the employer and manager have a slack-inducing contract with information asymmetry; (2) the manager has private information regarding the cost of production; (3) the manager submits a cost report to the employer requesting resources for production; and (4) the employer provides the manager with the requested resources. The focus of this trust contract study is to measure reporting accuracy. As in Evans III et al. (2001) participants are assigned only to the agent role. Managers can increase personal earnings through false reporting. The falsification is undetectable as the contract provides for complete trust in the manager's report (no monitoring, auditing, or reputation effects).

This gives us two characteristics required when considering compensation design. First, compensation contracts must be designed to allow managers with private information to report without fear of discovery. Therefore, no contracts include any detection mechanisms for the employer. Second, compensation contracts must be designed to allow a personal benefit for reporting costs greater to the employer than the actual cost known to the manager. This creates an environment where all participants maximize individual earnings by misrepresenting the actual cost. The difference between reported cost and actual cost is budget slack.

There are three distinct payment calculations; one for each contract condition. Fixed contracts provided a fixed wage plus additional compensation by reporting more than the actual cost. Equation 1 provides the compensation formula for the fixed contract condition. Both individual and group incentive contracts include a fixed wage, budgetary slack, and an incentive component. The purpose of the incentive is to reward managers for the profits contributed to the employer (profit sharing). In the individual incentive contract, managers receive profit sharing based on business unit profitability (equation 2). In the group incentive contract, mangers receive profit sharing based on the group's profitability (equation 3).

Terms in the compensation calculations are as follows. Wage is the participation fee paid to a participant. Budget slack is the difference between a manager's requested cost and that manager's actual cost. Individual profit share is 15% of the employer's profits related specifically to the manager. Group profit share is 15% of the employer's total profits related to the group and split equally between all members of that group. A conversion rate is used to convert experimental earnings to $US. Participants across all sessions earned an average of $24.85

with a range from $5 to $52.25.

$$Fixed = wage + budget\ slack \quad (1)$$

$$Individual = wage + budget\ slack + individual\ profit\ share \quad (2)$$

$$Group\ = \mathrm{wage} + budget\ slack + group\ profit\ share \quad (3)$$

3.3 Independent Variables

The primary variables of interest for this study are personality factors honesty-humility (honesty) and conscientiousness from the HEXACO-PR-I self-reported personality inventory. Prior research provided evidence of the relationship between personality and behavior (Berry et al., 2007; Hough & Oswald, 2008). The theory of trait activation explains that personality traits, which are latent propensities prescribing behavior are activated by situations that provide trait expression opportunities (Tett & Burnett, 2003; Tett & Christiansen, 2007).

3.4 Dependent Variable

The dependent variable for this study is accurate budget reporting. In this study the participants are acting as managers creating a budget. If the participants create slack (over reporting costs) when submitting a budget, they will personally benefit at the end of the experiment by receiving higher monetary rewards. We operationalize accurate reporting by considering the relative amount of benefit taken with the following formula:

$$payoff\ claimed\ =\ \text{budget request} - \text{actual cost} \quad (4)$$

$$payoff\ available\ =\ \text{budget limit} - \text{actual cost} \quad (5)$$

$$accuracy\ =\ 1\ -\ \frac{payoff\ claimed}{payoff\ available} \quad (6)$$

3.5 Control Variables

The purpose of our control variable is to rule out alternate explanations for findings based on personality measures and prior literature results. While we found sufficient theoretical support for only two of the seven HEXACO factors, we include emotionality, extraversion, agreeableness, openness to experience (openness) and altruism in the models. In addition, prior experiments found several experimental and demographic factors impact reporting accuracy (Church et al., 2014; Hannan et al., 2006; Rankin, Schwartz, & Young, 2003). Actual cost is the private information known by the manager. When using a ceiling as is done in this study, increases to actual cost reduce the magnitude of the budget slack that can be taken by the manager. Therefore, as actual cost decreases, the earning potential from budget slack increases. The lower the actual cost, the greater the potential earnings. Prior actual cost is included as a control variable to control for potential anchoring (Tversky & Kahneman, 1974). All participants see identical actual costs in the practice round as a control for anchoring. Age and gender are included as control variables due to significance in ethical decision making tasks (Abeler, Nosenzo, & Raymond, 2019; Betz, O'Connell, & Shepard, 1989; Eagly & Wood, 1991; Franke, Crown, & Spake, 1997). We also include participants' perceived trust in the company, perceived fairness of compensation fairness, and the period number as they have been found to influence decision making in trust contracts (Christ, 2013; Cochard, Van, & Willinger, 2004; Fisher, Frederickson, & Peffer, 2006; Greenberg, 1987).

3.6 Procedures and Task

Participants received paper copies of all instructions and an informed consent. Participants completed a quiz

to verify understanding of the key aspects of the study. Participants then proceeded to a training period to provide a real example of the activity to be performed. Each participant was presented with the true cost and asked to submit a budget that included the requested budget amount and a calculation of division profits. Each participant was required to enter a decision prior to continuing the study.

Participants then completed nine separate budget decisions with nine different actual cost values. Upon completion of the final decision by all participants, participants received notification of the randomly generated payment period and personal results for that period. The payment screen detailed the earnings calculations for the participant. The earnings amount was converted to a cash payment using a conversion rate programmed into the data collection system. Finally, the experiment participants were asked to provide demographic information and complete the HEXACO-PI-R personality inventory.

4. Results

4.1 Model Development

For hypothesis testing purposes, we create three models: fixed model, individual model, and group model. Each model is an independent, repeated measures, linear mixed model with only participants from the corresponding compensation contract (e.g., fixed model includes only fixed compensation contract participants). While the tabulated models include F-distribution information as statistical output, each hypothesis is directional and based on t-tests. Specific evaluations assess the relation between the hypothesized independent variable and the dependent variable including all control variables. All hypothesis tests use one of the three models summarized in Table 2 (F-tests provided at the $p < 0.05$ level).

Table 2 Statistical Results

Variable	Degrees of freedom		Fixed Wage Model *(H1a, H2a)*			Individual Incentive Model *(H1b, H2b)*			Group Incentive Model *(H1c, H2c)*		
	Num	Den	F	p	Sign	F	p	Sign	F	p	Sign
Between Subjects Variables											
Honesty-Humility *(H1)*	1	34	0.92	0.343	-	2.15	0.152	+	1.82	0.186	+
Conscientiousness *(H2)*	1	34	4.68	0.038*	-	1.48	0.232	-	4.36	0.044*	-
Emotionality	1	34	2.57	0.118	-	1.12	0.298	+	0.01	0.929	+
Extraversion	1	34	0.32	0.576	+	0.07	0.793	+	2.26	0.142	-
Agreeableness	1	34	0.30	0.590	-	4.12	0.050*	-	2.67	0.111	+
Openness	1	34	8.76	0.006*	-	2.36	0.134	+	0.02	0.892	+
Altruism	1	34	3.28	0.079*	+	0.03	0.864	+	1.15	0.291	-
Session	8	34	2.50	0.030*		1.80	0.111		2.73	0.020*	
Gender	1	34	2.08	0.158	+	1.13	0.295	-	2.78	0.105	+
Age	1	34	3.53	0.069*	+	1.82	0.186	+	4.04	0.053*	+
Perceived Company Trust	1	34	11.31	0.002*	+	14.02	0.001*	+	3.18	0.083*	+
Fair Earning Potential	1	34	1.20	0.281	-	2.19	0.148	-	0.04	0.848	+
Within Subject Variables											
Period	8	422	2.70	0.007*		2.54	0.010*		2.69	0.007*	
Actual Cost	1	422	2.83	0.093*	-	3.80	0.052*	-	0.84	0.359	+
Prior Actual Cost	1	422	1.09	0.297	+	2.60	0.107	-	0.01	0.967	-

Note: Degrees of freedom are identical for all models. P-values designated with "*" are significant at a 90% confidence level based on F-values Hypothesis tests are directional and based on t-values.

4.2 Tests of Hypotheses

Hypothesis 1 predicts participants with higher honesty more accurately report budget information than participants with lower honesty scores. For H1a, the fixed model, the relation between accuracy and honesty is not significant (t-value = -0.96; p = 0.1716 one-tailed). Honesty is not a predictor of accuracy when the only option to increase individual earnings is budget slack. For H1b, the individual model, the relation between accuracy and honesty is moderately significant (t-value = 1.47; p = 0.0755 one-tailed). Honesty is a predictor of accuracy when the options for increasing individual earnings include both budget slack and individual incentives. For H1c, the group model, the relation between accuracy and honesty is moderately significant (t-value = 1.35; p = 0.0932 one-tailed). Honesty is a predictor of accuracy when the options for increasing individual earnings include both budget slack and group incentives. Overall, we find limited support for H1 in two of the three conditions at the 95% confidence threshold.

Hypothesis 2 predicts participants with higher conscientiousness less accurately report budget information than participants with lower conscientiousness scores. For H2a, the fixed model, the relation between accuracy and conscientiousness is significant (t-value = -2.16; p = 0.0188 one-tailed). Conscientiousness is a predictor of accuracy when the only option to increase individual earnings is budget slack. For H2b, the individual model, the relation between accuracy and conscientiousness is not significant (t-value = -1.22; p = 0.1158 one-tailed). Conscientiousness is not a predictor of accuracy when the options for increasing individual earnings include both budget slack and individual incentives. For H2c, the group model, the relation between accuracy and conscientiousness is significant (t-value = -2.09; p = 0.0222 one-tailed). Conscientiousness is a predictor of accuracy when the options for increasing individual earnings include both budget slack and group incentives. Overall, we find support for the H2 in two of the three conditions at a 95% confidence threshold.

4.3 Control Variables

Of the HEXACO factors included as control variables emotionality and extraversion were not significant at the 90% confidence level in any of the three models. Agreeableness is significant at a 95% confidence level (F-value = 4.12; p = 0.050) only in the individual incentive model. This associated direction of the result suggests when the contract is between only one manager and an employer, the manager with greater agreeableness will report with lower accuracy than a manager with lower agreeableness. Openness is significant at a 99% confidence level (F-value = 8.76; p = 0.006) only in the fixed wage model. The negative indicator of the result suggests managers greater openness report less accurately than managers with lower openness in fixed wage conditions. Altruism is significant at a 90% confidence level (F-value = 3.28; p = 0.079) only in the fixed wage model. With positive relation to accuracy, the indication is managers with higher altruism report more accurately than manager with lower altruism.

The reported between-subjects results provided limited insight into reporting accuracy with one exception: perceived company trust. Perceived company trust was significant at the 99% confidence level in the fixed model (F-value = 11.31; p = 0.002) and individual model (F-value = 14.02; p = 0.001). In the group model, perceived company trust was significant at the 90% confidence level (F-value = 3.18; p = 0.083). In all models, a participant with higher perceived trust in the company reported more accurately than participants with lower perceived company trust. Age was significant in the fixed model (F-value = 3.53; p = 0.069) and group model (F-value = 4.04; p = 0.053) at the 90% confidence level but not in the individual model. In all models, older managers

reported with greater accuracy than younger managers.

As noted in prior studies, design choices influenced model results. In the fixed model, session, period, and actual cost all reached significance. In the individual model, period and actual cost were significant. In the group model, session and period were significant. Prior actual costs were not found to be significant in any models.

5. Discussion

Taken as a whole, our findings, along with those from the extant literature, imply both honesty and conscientiousness effects are situationally dependent. We do not find a positive relationship between honesty and accuracy. Prior research provided evidence that pooled profit-sharing creates an interdependency, in that the manager is aware that dishonest reporting reduces the organization's return as well as the compensation of other managers. This creates disutility for the opportunistic manager and potentially creates a norm of cooperation and accurate reporting among the managers. Higher honesty factors would be correlated with accuracy in this situation, as a higher honesty factor represents "the tendency to be fair and genuine in dealing with others" (Ashton & Lee, 2007) and managers with high honesty scores "prefer cooperative behavior even if defection would yield no risk" (Hilbig & Zettler, 2009).

While we find that conscientiousness is negatively correlated with accuracy in all contract conditions, only fixed wage and group incentive contracts reached significance. This result provides limited support to findings in the criminology literature suggesting that high conscientiousness is associated with more accuracy under conditions of greater risk of detection and punishment. While criminology literature provides evidence from naturally occurring data that people with higher conscientiousness act in a less irresponsible manner, we found our hypotheses on the suppositions that results could be related to recognition and evaluation of detection risk and potential penalties (Van Gelder & De Vries, 2016). Our setting excludes any detection risk and any potential penalty with our results showing increased opportunistic behavior. In other words, we find support for Ashton and Lee's (2007) interpretation of association between high conscientiousness and promotion of material or economic gains. We believe this finding is complementary to criminology literature.

Of the between-subjects factors, perceived company trust is the only pervasive factor. Perceived company trust is significant in all contact conditions. In all conditions, as perceived trust increases accuracy also increases. In line with the contract-trust relation found in Boster et al. (2018) based on compensation contracts, our measure of trust is lowest in the individual incentive contract (average 3.352 on a 5-point scale), followed by the group incentive contract (average 3.796 on a 5-point scale), and is greatest in the fixed wage condition (average 4.352 on a 5-point scale). This finding suggests that while personality text in the hiring process could provide guidance into reporting accuracy, the cost to the company could be in the form of mistrust off setting any potential gain. If use of personality profiles results in a decrease in perceived trust, employees may be more able to self-justify less accurate or anti-social behavior which could lead to detrimental outcomes.

We recognize several limitations in this study which could be addressed in future research. We believe the parameters we chose provided the cleanest tests of our hypotheses and were effectively implemented. To avoid low variability in personality scores related to self-selection bias based on major or school, we chose to recruit participants university-wide without restrictions other than participation self-selection. There could have been significant differences in understanding based on familiarity with business process, behavior research, or other factors. A more limited sample of participants, such as professionals in industry or only business school students,

may lead to different results. In addition, situational differences may be the reason for a lack of support in our participative budgeting setting. Inflating budgets may be considered acceptable in the minds of our participant group (Jensen, 2003) and thus provide participants with justification for accurate reporting (Church et al., 2014). Our study is also subject to the inherent limitations of laboratory and experimental studies.

Our study furthers economic literature by providing a setting where the researcher knows without exception the exact amount of misrepresentation. We leverage this design choice to assess accuracy differences based on personality factors and based on compensation contracts within a budgeting paradigm. Our finding suggests results are reliant on the setting. However, as is evident from the lack of significance in the fixed wage condition, emphasis of group association may help but alone is insufficient.

Our study extends the managerial accounting and psychology literature stream by underscoring the influence of situations as moderators of personality effects. While general personality assessments can predict behaviors over a wide variety of contexts, specific behaviors are strongly influenced by situational demands (Heggestad & Gordon, 2008). We alter situations within our trust contract model by manipulating the incentive contracts and note that different compensation structures result in different correlations between personality variables and accurate reporting. With respect to honesty, integrity research provides evidence that different individuals have different perceptions of integrity-related behaviors conditioned on the situation (Ryan et al., 1997). Specifically with respect to honesty, research has shown that opportunistic behavior can vary from situation to situation, independent of an individual's honesty score (Kleinlogel et al., 2018). Although situational effects have been less examined with respect to conscientiousness, other research has provided limited evidence that conscientiousness may also be susceptible to situational moderation (Hunthausen, Truxillo, Bauer, & Hammer, 2003). Evidence from our study provides evidence that personality measures and situational factors influence reporting choices in the participative budgeting paradigm.

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