

DONORS, DISTANCE, AND THE INFLUENCE  
OF ACCOUNTING INFORMATION

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## ABSTRACT

In this study, I test a practical intervention to a problematic occurrence in nonprofit organizations: the overemphasis of spending ratios, specifically the program ratio, when assessing nonprofit performance. Prior research indicates that donors place undue focus on not-for-profit (NFP) program ratios, which can result in suboptimal giving decisions because these ratios provide an incomplete measure of performance. To address this, regulators recommend that organizations provide explanatory information to aid donors in better understanding NFP performance. I present theoretical and experimental evidence to show that donations to an NFP with a low program ratio are higher if explanatory information is provided, and this effect is greater when the presentation of that information (concrete vs. abstract) is congruent with a donor's distance (near vs. far). Additionally, I find that donors whose distance is far from an organization are more likely to be influenced by favorable desirability (goal-related) information than those whose distance is near. If donors are provided with *unfavorable* desirability information, they tend not to further penalize an NFP with a low program ratio if they are also provided with favorable feasibility (process-related) information (e.g., explanatory information). This study provides important insights regarding the communication of accounting information. Results suggest that the provision of explanatory information causes the negative impact of a low program ratio to decline, resulting in an increased willingness to donate to an NFP, especially when the explanatory information is congruent with a donor's distance. While explanatory information does not change performance, it – along with favorable desirability information – can aid donors in better understanding the purpose and strategies of NFP spending.

## DEDICATION

To my family, friends, and future self:

this would not have been possible without you.

I have searched deep and wide for that which might bring fulfillment to the depths of my soul.

That fulfillment is not found within these pages, but it was found within this process.

I thought I was afraid of losing my voice, but it turns out I was afraid to find it.

In silence we say nothing, yet in silence we say everything.

May we always love no matter the cost.

May we never fear again.

*Vaya con Dios;*

## LIST OF ABBREVIATIONS AND SYMBOLS

ANOVA	Analysis of variance
ANCOVA	Analysis of covariance
$\beta$	Beta coefficient
BIF	Behavioral Identification Form
CLT	Construal level theory
<i>df</i>	Degrees of freedom: number of values free to vary after certain restrictions have been placed on the data
<i>F</i>	Fisher's F ratio: a ratio of two variances
FASB	Financial Accounting Standards Board
MANCOVA	Multivariate analysis of variance
MS	Mean squared error
NFP	Not-for-profit
OLS	Ordinary least squares
<i>p</i>	Probability associated with the occurrence under the null hypothesis of a value as extreme as or more extreme than the observed value
SS	Sum of squares
>	Greater than
<	Less than
$\leq$	Less than or equal to
=	Equal to

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## CHAPTER 1

### INTRODUCTION

People support charitable endeavors for various reasons, including internal motivations (e.g., altruism, reciprocity, spirituality) and external influences (e.g., family involvement, peer pressure, tax deductions) (Gordon and Khumawala 1999; Mixer 1993). Although accounting information may not help potential donors decide *if* they should participate in charitable activities, it can be an important factor when deciding *how* to contribute funds to not-for-profit (NFP) organizations once the initial involvement decision has been made. For example, once donors have decided to be involved with philanthropic activities related to a specific cause, giving decisions such as organization selection, restrictions, amounts, and allocations are often influenced by evaluating past performance of otherwise similar organizations (Gordon and Khumawala 1999; Harris and Neely 2016). While prior research documents that accounting information can influence donation decisions, it also indicates that donors tend to over-emphasize one particular type of information – spending ratios, which categorize an organization’s expenditures as either mission- or overhead-related (Hager and Flack 2004; Pallotta 2010; Parsons, Pryor and Roberts 2017; Tinkelman and Donabedian 2007).

Many reporting regulations, grant stipulations, media mentions, and performance metrics used by charitable ratings agencies lead donors to focus on NFPs’ spending ratios rather than the quality of the organizations’ strategic objectives or effectiveness at carrying out their mission (Hager and Flack 2004; Pallotta 2010; Parsons et al. 2017; Tinkelman and Donabedian 2007).

Evidence consistently shows that donors prefer a high program (mission-related) ratio, but this metric is an incomplete measure of performance (Greenlee and Brown 1999; Hager, Pollak, Wing and Rooney 2004a; Khumawala and Gordon 1997; Parsons and Trussel 2003; Posnett and Sandler 1989; Tinkelman and Donabedian 2009). For example, program ratios do not indicate where inefficiencies exist in any area of operations, nor do they capture tangible outputs resulting from an NFP's efforts (e.g., how many meals were served, how many coats were provided, how many vaccinations were given, or how many lives were saved). Likewise, the potential benefits of investments in administrative or fundraising efforts, which can have both near- and long-term impact on mission accomplishment, are not captured in current-period spending ratios.

Placing excessive emphasis on spending ratios can lead donors to make suboptimal giving decisions based on incomplete information (Tinkelman and Donabedian 2007). The Financial Accounting Standards Board (FASB), in its Statement of Accounting Concepts No. 4, expresses the need for performance metrics other than spending ratios that can adequately measure and value NFP outputs. The FASB suggests that NFP financial reports include explanatory information to aid users in decision making, but to date they have not implemented formal requirements for such disclosures. However, NFPs can voluntarily provide explanatory information that indicates how their spending is directed toward outputs and strategies that help accomplish the organization's mission. Presently, little is known about the contexts in which such information is more or less salient to donors, or how that information affects the emphasis donors place on spending ratios.

In this study, I examine the influence of explanatory information on donors' giving decisions when they are asked to make an allocation between two organizations with different

spending ratios. Specifically, I apply construal level theory (CLT) to test whether donors' psychological distance from an NFP, when paired with explanatory information containing either low-level (concrete) or high-level (abstract) construals, affects donors' willingness to give to the NFP with the lower program ratio. I also test whether the provision of additional benchmarking information influences donors differently depending on their distance.

CLT defines construals as the cognitive ideas, or mental representations, either provided to or elicited by an individual about a given object or situation (Liberman and Trope 1998). Low-level construals stem from direct experience and consist of concrete, detailed information related to the "how" of an object or situation, while high-level construals stem from indirect experience and consist of abstract, conceptual information related to the "why" of an object or situation. Psychological distance is a subjective phenomenon in which proximity (distance) is closely linked to an individual's direct (indirect) experience with an object (Trope, Liberman and Wakslak 2007).<sup>1</sup> Research based on CLT indicates that individuals are more influenced by, and assign higher value to, information that is *congruent* with their psychological distance: low-level, concrete, detailed information when psychological distance is near, and high-level, abstract, conceptual information when psychological distance is far (Kim, Zhang and Li 2008; Liberman and Trope 2003; Trope and Liberman 2010; Zhao and Xie 2011).

Understanding the contexts in which accounting information is more or less influential to donors can enable NFPs to adopt communication strategies that emphasize relevant aspects of their performance in ways that will be most salient to decision-makers. CLT suggests that donors who are near to an NFP will place more value on information that is concrete and detailed

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<sup>1</sup> Donors can be psychologically "near" to an NFP in multiple ways, such as: the donor having personal relationships with employees, board members, or beneficiaries of the organization; the organization having a proximal physical location; the donor participating in the organization's activities in the very near future; or the donor having firsthand experience with the benefits derived from the organization's efforts.

while donors who are far from the organization will place more value on information that is abstract and conceptual. I build on this basic understanding to determine whether congruence of distance and information can help mitigate the typical penalty that donors place on organizations that have relatively low program ratios (Hager et al. 2004a). To the extent that NFPs can provide explanatory information in a manner that is congruent with donors' psychological distance, it is possible that the emphasis placed on spending ratios will decline – as evidenced by greater allocations to the organization with the lower program ratio – as donors are instead influenced by information that provides a more complete understanding of the organization's plans and performance.

In an experimental setting involving two NFPs, one of which has a lower program ratio, I provide explanatory information about the lower-performing organization's spending using either concrete or abstract terminology. In accordance with theory, I expect allocations to be greater for the NFP with the lower program ratio, compared to baseline allocation levels involving no explanatory information, when donors' psychological distance is congruent with the presentation of performance explanations (i.e., near with concrete and far with abstract). I also predict that when the provision of additional benchmarking information sends a positive signal about the lower performer's desirability (i.e., an industry benchmark has been exceeded), that information will positively influence donors who are "far" more than those who are "near."

I further posit that an increased willingness to give to the organization with the lower program ratio is mediated by donors' positive perceptions of that organization's accountability.<sup>2</sup> Prior CLT literature maintains that the effects of congruence are subconsciously activated, and possible mediators of this relationship have not yet been explored (Bar-Anan, Trope, Liberman

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<sup>2</sup> I use the word "accountability" throughout the paper to refer to donors' trust in the organization's responsible stewardship of resources.

and Algom 2007). However, while previous studies focus on congruence causing certain information to be valued or preferred, this study expands the process to examine *why* that information preference might lead to changes in behaviors (i.e., donation decisions). Accounting information serves two primary purposes: it enables users to make predictions about future outcomes based on past performance, and it serves as a vehicle through which accountability can be monitored (Ijiri 1975). Although the explanatory information in this study does not change past performance, I expect it to aid donors in better understanding the purpose and strategies behind the NFP's spending, leading to increased perceptions of accountability for how it stewards resources. This should translate to higher allocations when congruence enhances the value of explanatory information, causing the influence of a low program ratio to decline.

This study contributes to the literature in multiple ways. First, it examines whether explanatory information and its congruence with donors' psychological distance can be used to mitigate donors' negative responses to program ratios that are perceived to be low. Little is known about the contexts in which explanatory information is more or less influential to donors, or if it affects the emphasis donors place on spending ratios. While previous research indicates that the manner in which accounting information is presented can affect auditors' and investors' decisions (Backof, Carpenter and Thayer 2018; Elliott, Grant and Rennekamp 2017; Elliott, Rennekamp and White 2015), and there is a large body of literature examining the information presented in voluntary performance disclosures made by *public* companies (Bradshaw, Christensen, Gee and Whipple 2018; Byrd, Johnson and Porter 1998; Francis, Nanda and Olsson 2008; Jones 2007; Kumar, Langberg and Sivaramakrishnan 2012), there is a gap in the literature related to the presentation effects of explanatory information provided by NFP organizations.<sup>3</sup>

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<sup>3</sup> Harris et al. (2018) examine the qualitative information that NFPs provide on IRS Form 990 when an asset diversion is reported. Parsons (2007) examines the use of service efforts and accomplishments disclosures in giving

Donors currently over-emphasize program ratios, and this study addresses that problem by testing a communication strategy which presents accounting information in a manner that can provide a more complete understanding of performance.

Second, I examine whether the influence of congruence is the same when additional benchmarking information related to higher or lower desirability is provided. Liberman and Trope (1998) find that information related to high desirability is more influential to those who are far, and that low desirability does not have negative consequences if additional information related to high feasibility (e.g., an explanation of performance) is also presented.<sup>4</sup> In that study, Liberman and Trope do not vary the concreteness or abstractness of either desirability or feasibility information, but rather they position each as either inherently concrete or abstract, respectively, based on their distinctions between goals and processes. In my study, I combine inferences from the CLT literature about contexts involving higher or lower desirability information (i.e., a “made” benchmark vs. a “missed” benchmark) with the congruence aspects of the theory in order to test if favorable feasibility information (i.e., explanatory information) affects donors differently depending on whether it is presented as concrete or abstract.

Third, this study examines construal level theory’s relation to decisions that affect “others” instead of “self.” Most CLT research involves decisions that either directly or indirectly impact the decision maker, but donation decisions are often made by individuals who are not directly connected to the funds being given or to the services being provided by an NFP, as is the case in this study. It is possible that decisions made for others are perceived as more socially

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decisions. While the information in both studies is a form of voluntary disclosure, neither relates specifically to explaining accounting performance measures, and neither tests presentation effects.

<sup>4</sup> Feasibility relates to the means to an end and is concerned with processes regarding *how* things happened or are expected to happen; high feasibility translates to high likelihood or ease of occurrence. Desirability refers to the valence of the end itself, stemming from reasons related to *why* ends or goals are desirable or not; high or favorable desirability translates to a goal or objective being (or likely to be) accomplished (Liberman and Trope 1998).

distant than decisions made for the self, or it could be that other psychological distance factors (e.g., temporal, spatial, hypothetical) affect the process by which donors feel more near to or far from the decision at hand.

Next, this study tests perceived accountability as a mediator for the process by which the information preference caused by congruence leads to an increased willingness to give. While prior CLT literature has not explored factors that mediate the relationship between congruence and subsequent actions or behaviors, as the effects are thought to be activated subconsciously, the accounting setting – because of the inherent nature of its reporting objectives – lends itself to a deeper exploration of the underlying mechanisms involved in this process. Donors frequently use accounting information such as spending ratios to assess the performance of NFPs (Hager, Pollak, Wing and Rooney 2004a; Khumawala and Gordon 1997; Parsons and Trussel 2003; Parsons et al. 2017; Weisbrod and Dominguez 1986), but accounting information also provides information used in assessments of accountability (Ijiri 1975). As explanatory information and its congruence with a donor's distance causes the negative influence of a low program ratio to decline, I expect donors to have an enhanced perception of the organization's stewardship of its resources, leading to an increased willingness to donate to an organization with a low program ratio.

Finally, I extend the CLT literature by analyzing the effects of congruence in an accounting-specific context. To my knowledge no other studies examine congruence in a comparative evaluation of accounting information.

I find that an explanation of performance increases donations to an NFP with a relatively low program ratio compared to baseline giving levels where no explanatory information is provided. Additionally, congruence of that explanation with a donor's distance (concrete with

near or abstract with far) results in even higher donations. This indicates that favorable low-level (concrete) *or* high-level (abstract) feasibility information can help mitigate the negative influence of a low program ratio, and this information is more influential – as evidenced by higher donations – when congruent with a donor’s distance.

I also find that donors who are *far* from a giving decision are more influenced by information that an NFP with a comparatively low program ratio has exceeded a benchmark for that ratio than donors who are *near*, regardless of the feasibility (explanatory) information’s congruence with distance. Additionally, donors who are told that an NFP with a low program ratio has *not* exceeded a benchmark do not further penalize the organization if they are provided with an explanation of performance. In fact, those who see an explanation that is *incongruent* with their distance, even after being told that a benchmark has *not* been met, donate the same amount as those who see an explanation incongruent with their distance when the benchmark *has* been met. In this same setting, those who see an explanation that is *congruent* with their distance donate the same amount, on average, as those who are near and see an explanation congruent with their distance when the NFP *has* exceeded the benchmark.

Finally, I find that higher perceived accountability for an NFP with a low program ratio is associated with higher donations to that organization. However, an explanation that is congruent with distance does not *lead to* higher perceptions of accountability.

## CHAPTER 2

### BACKGROUND AND HYPOTHESIS DEVELOPMENT

Nonprofit organizations typically offer services and benefits that are valuable to a large number of constituents, and they can derive financial support from various sources, including governments, foundations, corporations, individual donors, and paying customers. In the U.S., large sums of money are stewarded through these entities on an annual basis, and giving has steadily increased over the past forty years. Charitable activities are an important part of the U.S. economy – contributions totaled over \$410 billion in 2017, an amount equal to 2.1% of U.S. GDP (Giving USA 2018), and over 10 percent of the private sector workforce is employed by NFPs (Bureau of Labor Statistics 2018).

Economic and political factors, including stock market volatility and the implementation of the Tax Cuts and Jobs Act of 2017 (TCJA), were likely contributors to an inflation-adjusted 3.4% decline in individual giving in 2018 (Giving USA 2019). It remains to be seen if the decline will continue, but the TCJA's doubling of the standard deduction led to a sharp decrease in the number of taxpayers who itemized their deductions from 2017 to 2018, which could lead to changes in future philanthropic decisions and strategies (Erb 2019; IRS 2019).<sup>5</sup> As a result, it is possible that fewer dollars will be available for charitable activities in the future, leading to

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<sup>5</sup> The standard deduction for families doubled to \$24,000 starting in 2018 (IRS 2019). The mid-July filing season statistics, which reflect forms 1040 processed by the IRS through the 30<sup>th</sup> week of the calendar year, indicate that about 30% of taxpayers itemized deductions for 2017 while only 10% did so for 2018 (IRS 2019). While this change resulted in a decrease of nearly \$37 billion less in donations *claimed* by taxpayers, it does not indicate that actual donations declined by this amount; rather, it is estimated that individual contributions fell by about \$3 billion in 2018 (Giving USA 2019). However, there is concern that upon learning how the TCJA changes affect their personal tax filings, taxpayers may reduce future charitable giving due to the decline in tax incentives (Erb 2019).

increased competition among NFPs for dwindling resources. Because of the numerous potential stakeholders in NFP organizations, including both recipients and providers of funding and services, as well as the substantial amount of money that is funneled through them, both financial performance and accountability are important issues for NFPs (Khumawala and Gordon 1997).

Making accounting information available to stakeholders is a primary way that NFPs can provide evidence about their performance and accountability (Gordon and Khumawala 1999; Ijiri 1967). Most NFPs are required to report information about their activities annually on IRS Form 990, a public filing that contains information about financial and operational performance as well as governance and accountability issues (Smith and Shaver 2009). NFP ratings agencies and information providers such as Charity Navigator, Guidestar, CharityWatch, and the Wise Giving Alliance of the Better Business Bureau make financial performance and accountability information easy to find and compare among NFPs by gathering the relevant data from Form 990 and compiling it in an easy-to-read format that is available to the public in a searchable database (Harris and Neely 2016; Ling and Neely 2013; Lowell, Trelstad and Meehan 2005). Research shows that having a positive rating from ratings agencies positively impacts charitable giving (Gordon, Knock and Neely 2009; Grant and Potoski 2015; Harris and Neely 2016, 2018).

## **Financial Performance in Not-for-profit Organizations**

### *Spending Ratios*

Spending ratios, which categorize expenditures as either mission- or overhead-related, are among the most commonly used NFP performance measures (Hager, Pollak, Wing and Rooney 2004a; Khumawala and Gordon 1997; Parsons and Trussel 2003; Parsons et al. 2017; Weisbrod and Dominguez 1986). These ratios classify all NFP expenditures into one of three categories, indicating the proportion of available resources spent on either administrative expenses,

fundraising costs, or programs that advance the organization's charitable mission (Greenlee and Brown 1999; Parsons 2003). Numerous studies show that higher program (mission-related) ratios are associated with higher contributions (Callen 1994; Callen and Falk 1993; Posnett and Sandler 1989; Tinkelman 1999; Weisbrod and Dominguez 1986).

While few NFP organizations are subject to requirements for spending allocations outside of stipulations that may be attached to specific grants or certain types of government funding, there are performance benchmarks used by individuals, the media, and charitable ratings agencies in their evaluations of NFPs. According to a 2001 survey conducted by the Wise Giving Alliance, nearly 80% of individual donors believe that an NFP should spend no more than 30% of its revenues on overhead (which is the combination of administrative and fundraising costs); over half feel that 20% or less is an acceptable amount. Many charitable ratings agencies and watchdog organizations suggest that nonprofits direct at least 65% of their spending to programs (BBB Wise Giving Alliance 2001; Combined Federal Campaign 2018; Lammers 2003).

Administrative activities enable NFPs to sustain and improve their operations, infrastructure, information accessibility, and accountability (Hager, Pollack, Wing and Rooney 2004b; Tinkelman and Mankaney 2007). According to Tuckman and Chang (1991), NFPs with higher administrative spending might be better insulated against financial distress because of their built-in ability to cut costs if revenues decline. However, despite the necessity for NFPs to engage in administrative activities, donors consistently prefer that NFPs allocate more of their contributions to programs than to administrative expenses (Greenlee and Brown 1999; Hager et al. 2004b; Tinkelman and Mankaney 2007). Parsons et al. (2017) note that managers feel pressure to reduce administrative spending to appease donors' demands for high program

spending. Evidence suggests that under-investing in administration is associated with poor performance, so when managers acquiesce to donors' preferences for keeping overhead low, it can actually hurt the organization's program activities by way of reducing funding and/or reducing the quality of its outputs (Gregory and Howard 2009; Hager et al. 2004b; Wing, Pollack and Rooney 2004).

Fundraising activities are thought to create two opposing effects on giving decisions. First, they make service and mission information available and accessible to donors and include a request for support, thereby increasing the solicited donors' willingness to give in the near term. This incentivizes NFP managers to invest in fundraising. Second, because the cost of fundraising siphons resources away from program activities, donors' willingness to give in the long term declines if their decision is based on an assessment of reported spending ratios (Tinkelman 1998; Weisbrod and Dominguez 1986). Donors generally choose to allocate more funds to organizations that report lower fundraising costs (Khumawala, Parsons, and Gordon 2005). As a result, this incentivizes NFP managers to reduce fundraising expenditures, which decreases the opportunity to raise funds that could ultimately be used to support their charitable programs.

Prior research consistently indicates that donors prefer high program ratios, but reliance solely on these measures without additional context may not be useful for evaluating the quality or effectiveness of organizations in carrying out their missions (Hager and Flack 2004; Pallotta 2010; Parsons et al. 2017; Tinkelman and Donabedian 2007). While it can be helpful to use spending ratios as a means for comparing NFPs, these metrics are incomplete measures of performance (Greenlee and Brown 1999; Hager, Pollak, Wing and Rooney 2004a; Khumawala and Gordon 1997; Parsons and Trussel 2003; Posnett and Sandler 1989; Tinkelman and

Donabedian 2009). For example, spending ratios do not indicate if or where inefficiencies exist in the supply or delivery chain, nor are they indicative of an organization's outputs or other successes in advancing its cause. Additionally, the benefits of investments in administrative or fundraising efforts, which can have both near- and long-term impacts on effectiveness and efficiency, are not captured in current-period spending ratios.

### *Explanatory Information*

Placing excessive emphasis on spending ratios can lead donors to make suboptimal giving decisions based on incomplete information, as these ratios are not useful for assessing the “quantity, quality, and value” of an organization's outputs or strategies (Tinkelman and Donabedian 2007, p.9). The Financial Accounting Standards Board (FASB) recognizes the limitations inherent in providing NFP financial information that is expressed in terms of money, since the true objectives of these organizations are not typically measured or communicated monetarily. In its Statement of Accounting Concepts No. 4, the FASB (1980) states that NFP accounting reports “should include explanations and interpretations to help users understand financial information provided” (p. 3). The Securities and Exchange Commission requires public companies to provide similar narrative explanations via the Management's Discussion and Analysis of Financial Position and Results of Operations (MD&A), but to date such disclosures are only suggested – rather than mandated – for NFP organizations (SEC 2008). NFPs can, however, voluntarily provide explanatory information that indicates how their spending is directed toward outputs and strategies that help accomplish the organization's mission.

Presently, little is known about the contexts in which explanatory information is more or less salient to donors, or if it can affect the influence of spending ratios on donation decisions. Understanding context is important because while NFP standards setters establish requirements

and managers make related reporting decisions aimed at providing performance information to donors, different types of information are likely to be more useful and informative depending on a donor's relationship with an organization. As reliance on the program ratio alone is problematic because it provides incomplete information, and explanatory information can increase a donor's knowledge of an NFP's strategies, I expect that the provision of explanatory information will result in higher donations to an organization with a relatively low program ratio. This leads to my first hypothesis:

**H1:** *Donations to an NFP with a relatively low program ratio are higher when donors are provided with explanatory information than when no explanatory information is provided.*

## **Construal Level Theory**

### *Construal Levels*

Construal level theory (CLT) provides a framework for understanding people's evaluations and behaviors in terms of their construal levels about and psychological distance from the object of evaluation.<sup>6</sup> The theory's basic premise is that when making decisions or providing descriptions about objects or situations, people tend to align their mental representations, or construal levels, with their psychological distance from the object or situation in question (Trope et al. 2007). Low-level construals stem from direct knowledge or experience and involve concrete and contextualized information related to the *how* of a situation, while high-level construals stem from indirect knowledge or experience and involve abstract and decontextualized information related to the *why* of a situation.

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<sup>6</sup> "Object" is the term used by the CLT literature to refer to people, actions, events, or situations about which construals are made or provided (Weisner 2015).

To illustrate the concept of construal levels, consider the difference between a forest and its trees. When asked to give a description of a scene where one is standing *within* a forest, a person would likely imagine or describe individual trees in terms of height, color, thickness, or type. Likewise, when asked to give a description of a scene where one is located *outside* a forest, perhaps on a nearby hill or in an airplane flying overhead, people would likely imagine or describe the forest's size or color in relation to the surrounding landscape, and they might consider broader characteristics of the forest such as it being a habitat for various kinds of wildlife or a source of lumber and clean air. CLT describes this process, where people form construals about an object or situation far from them, as abstraction (Trope and Liberman 2010). Abstraction involves a traversal of distance, or a shift away from the "here and now" to the conceptual, and the shift from near to far evokes high-level construals focused on the general but essential elements of the object or situation (Trope and Liberman 2010).

### *Psychological Distance*

Psychological distance is a subjective phenomenon that refers to whether an object or situation is near to or far from an individual (Trope and Liberman 2010). The forest and the trees example illustrates not only concrete and abstract construals, but also spatial distance, which is one of the four primary types of psychological distance; the others are social, temporal, and hypothetical (Trope et al. 2007). Spatial distance refers to proximity in terms of physical location (proximal vs. distant); social distance refers to proximity in terms of similarity to oneself (like or unlike the individual or group to which the individual belongs); temporal distance refers to proximity in terms of time (near to vs. far from the present time); and hypothetical distance refers to proximity in terms of probability (likely vs. unlikely to occur) (Trope and Liberman 2010; Trope et al. 2007).

According to CLT, objects or situations are psychologically near when they are part of an individual's direct experience and psychologically far when they are not (Trope et al. 2007). Objects or situations are construed at low (high) levels when they are near (far), and construals may be comprised of both positive and negative information (Liberman and Trope 1998). Additionally, CLT holds that the relationship between construal levels and psychological distance is bi-directional, meaning that distance can both *elicit* low- and high-level construals (e.g., where people *form* concrete or abstract ideas about something based on how near or far from it they are), and it can be *prompted by* low- and high-level construals (e.g., where people *perceive* an object as nearer to versus farther from them based on the concrete or abstract ideas presented about the object) (Trope and Liberman 2010).

Liberman and Trope (1998) find evidence that less desirable but more feasible outcomes are given preference over more desirable but less feasible outcomes for decisions regarding the near-future, and the opposite is true for decisions regarding the distant-future. When this temporal form of psychological distance is near, the more *feasible* outcomes elicit low-level construals regarding *how* a decision will affect the decision-maker, but when distance is far, the more *desirable* outcomes elicit high-level construals regarding *why* an option will be preferable. The traversal of distance from the near-future to the distant-future results in the high-level (low-level) construals having more (less) influence over time (Liberman and Trope 1998).

### *Congruence*

Liberman and Trope (2003) and Trope and Liberman (2010) move beyond the initial assumptions of CLT by discussing how the relationship between psychological distance and construal levels have implications for preferences and evaluations. They describe an advanced formulation of the theory by suggesting that information construed at low (high) levels should be

valued more when psychological distance is near (far). They go on to explain that when both positive and negative information is presented in the form of differing low- and high-level construals for an object, distance (compared to proximity) “shifts the overall attractiveness of an outcome closer to its high-level construal value than to its low-level construal value” (Trope and Liberman 2010, p. 451). Examining this aspect of the theory, Zhao and Xie (2011) confirm that *low-level, concrete* information is more influential when people’s psychological distance is *near*, and *high-level, abstract* information is more influential when their psychological distance is *far*. In other words, people place a higher value on information that is *congruent* with their psychological distance. This leads to my second hypothesis:

**H2:** *Explanatory information’s positive effect on donations is greater when there is congruence (concrete:near or abstract:far) between the presentation of the information and the donor’s psychological distance.*

### *Feasibility and Desirability*

As previously discussed, CLT suggests that psychological distance may diminish or augment the influence of accounting information depending on how the information is construed – either at a low, concrete level or a high, abstract level. CLT also suggests that various *types* of information influence people differently depending on their psychological distance and the favorable or unfavorable aspects of the information (Liberman and Trope 1998). Feasibility factors cause people to be more process-focused while desirability factors cause people to be more goal-focused (Liberman and Trope 1998). For instance, receiving a grade in a course relates to desirability, while putting time and effort into homework and studying relates to feasibility. If the grade likely to be received is high, it is generally considered desirable, but if the grade likely to be received is low, it is considered less desirable. Similarly, a course that requires less time and effort is viewed by many (but not all) students as more favorable and

feasible, while one that requires extra time and effort is often viewed as less favorable and less feasible.

Accounting information may be communicated by standards of both feasibility (i.e., the means to an end, or processes regarding *how* things happened or are expected to happen, in conjunction with their ease or difficulty) and desirability (i.e., the valence of the end itself, stemming from *why* ends or goals are desirable or not). An NFP's explanation of a low program ratio should provide favorable (rather than unfavorable) feasibility information: it communicates *how* economic events transpired, and perhaps *how* they are projected to transpire in the future, in a way that makes the process seem simple and straightforward.

Liberman and Trope (1998) find that when information conveys that a decision has high or favorable *feasibility*, that information will be more influential to those who are near than those who are far from the decision, even when the *desirability* of that decision is relatively low or unfavorable, and vice versa. Their study was conducted when construal level theory was still known as "temporal construal theory" (because additional measures of psychological distance besides temporal, or timing, had not yet been added to the theory), and before the effects of information's congruence with distance had been formally theorized. Liberman and Trope (1998) do not manipulate the presentation (in terms of concreteness or abstractness) of feasibility or desirability information; they simply present a mixture of favorable and unfavorable information of different types, then test the influence of that information based on people's imposed proximity or distance from a decision. They conclude that favorable feasibility information is more influential than unfavorable desirability information to those who are near, and that favorable desirability information is generally more influential than unfavorable feasibility information to those who are far.

However, it is possible that feasibility and desirability information can be construed at either a low or a high level, depending on the concreteness or abstractness of its presentation, and that congruence of this information with a person's psychological distance may cause it to be more influential than incongruent information. For example, even though desirability information focuses on goals and is positioned by Liberman and Trope (1998) as inherently superordinate or high-level, the desirability of *earning a high grade* in a course may be construed at a lower level than the desirability of *learning* in that course. This is because a grade is a specific, concrete measure of performance while learning is a more conceptual, abstract objective. Earning a high grade may satisfy a short-term, detailed goal (e.g., keeping a high GPA) while learning may satisfy a long-term, big picture goal (obtaining the knowledge necessary to succeed in one's chosen vocation).

Prior NFP research indicates that, all else equal, donors will choose to give more to an organization that reports a higher program ratio (Callen 1994; Callen and Falk 1993; Posnett and Sandler 1989; Tinkelman 1999; Weisbrod and Dominguez 1986). However, theory and practice suggest that explanatory information may provide a more complete understanding of an NFP's performance, leading to less emphasis being placed on the program ratio alone. If the inferences drawn from Liberman and Trope's (1998) feasibility-desirability study are combined with those from the later congruence studies (Liberman and Trope 2003; Trope and Liberman 2010; Zhao and Xie 2011) and applied to the present study, favorable feasibility information (i.e., a performance explanation) should be more influential when it is presented in a manner that is congruent with donors' psychological distance – regardless of whether that distance is near *or* far. Hence my second hypothesis, which posits that congruence between a donor's psychological distance (near vs. far) and the presentation of explanatory information (concrete

vs. abstract) will lead to increased donations, does not predict a stronger effect of congruence based on one distance condition or the other.

Not all information is equal. When deciding whether to accept a new job, relevant factors to consider may be the salary being offered, the culture of the workplace, the location of the employer, or the opportunity for advancement, and these factors may contain a mixture of more and less favorable information. CLT indicates that people are influenced differently by various types of favorable and unfavorable information based on their psychological distance from a decision (Liberman and Trope 1998; Trope and Liberman 2010). For instance, starting a new job in a different state in the near future may stimulate more thoughts related to the details of buying a house and enrolling children in a different school, while starting a new job in the distant future may stimulate more thoughts related to upward mobility and the likelihood – or not – of achieving various career goals. The circumstances of an individual’s particular situation will determine whether these factors are viewed more favorably or unfavorably.

When considering multiple types of information at once, distance – as opposed to proximity – be it temporal, spatial, social or hypothetical, tends to draw people out and enables them to see the forest for the trees, if you will. Liu (2008) suggests the reason for this is that distance causes people to focus on landmarks or benchmarks (e.g., the start of a new year, achievement of a goal), and these benchmarks serve as a sort of interruption to low-construal-level thinking. Dai, Milkman and Riis (2014) write, “When induced to take a high-level view of a situation, people are more likely to evaluate their actions based on the desirability of the end state (or goal) they hope to achieve rather than the time and effort required to achieve it (Liu 2008, Rogers and Bazerman 2008, Trope and Liberman 2003).” For this reason, CLT holds that

information related to the achievement of goals or benchmarks tends to be more influential to those who are “far” rather than “near.”

A donor’s decision regarding whether and how much to donate to an NFP with a relatively low program ratio is likely to be influenced differently by the combination of their psychological distance with feasibility information (i.e., an explanation of performance) that is construed at either an abstract or concrete level. However, when additional information is provided that conveys either favorable or unfavorable *desirability* factors (e.g., achievement of goals or not) about that same NFP, it is not yet known how the desirability information will interact with a performance explanation that is either congruent or incongruent with a donor’s distance.

Liberman and Trope (1998) further examine the influence of different types of information and find that low desirability (low feasibility) does not always result in significant negative effects for those in far (near) conditions, as one might expect. Instead, when paired with favorable information of the other (feasibility or desirability) type, the seemingly unfavorable information has no differential effect on those who are far versus near. In other words, favorable desirability influences those who are far, favorable feasibility influences those who are near, and when either type of information is less favorable, its negative effects are diminished in the presence of favorable information of the alternative type.

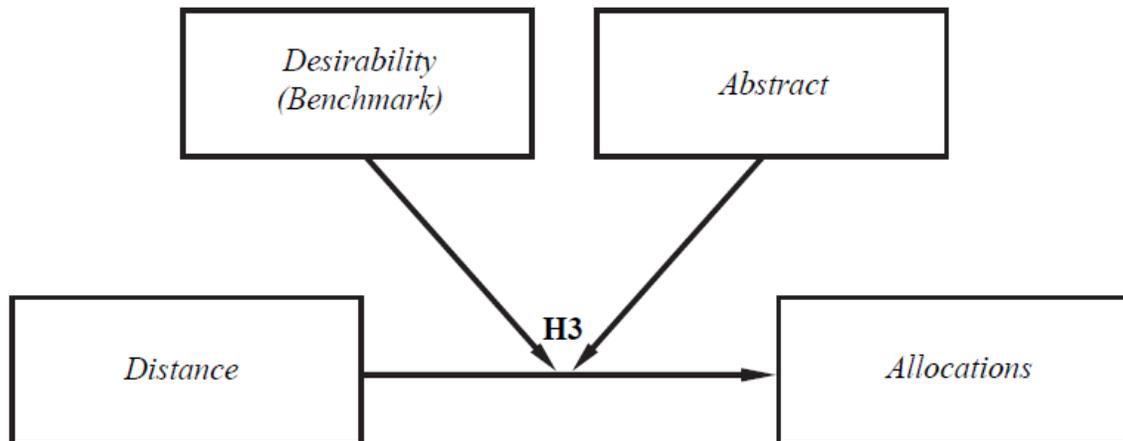
Organizations generally want to provide information that positions them in a favorable light, so in this study it would make little sense to test the effects of providing feasibility (i.e., explanatory) information that is unfavorable. However, it is practical and relevant to examine the effects of desirability information that could lead to a comparatively “low” program ratio being viewed more or less favorably, depending on how that ratio compares to a superordinate

goal or benchmark. Such benchmarks are not typically set by NFPs, but by outside regulatory or watchdog organizations. A primary reason donors rely so much on program ratios is that NFP objectives, especially those related to charitable mission accomplishment or effectiveness, are often difficult to define and subsequently measure. Because of these difficulties, it is common to assess NFPs in terms of accounting performance benchmarking – against oneself, against peer groups, against organizational size and/or industry groups – as evidenced by the strong association between donations and high program ratios (Callen 1994; Callen and Falk 1993; Posnett and Sandler 1989; Tinkelman 1999; Weisbrod and Dominguez 1986).

Accordingly, while I generally expect a performance explanation (i.e., feasibility information) that is congruent with a donor’s distance to have a stronger positive effect on donations than an incongruent explanation, I also expect the provision of additional favorable *desirability* information to be more influential to those whose distance is far than to those whose distance is near. This prediction is illustrated in Figure 1 and is formally stated below:

**H3:** *When donors are psychologically distant (i.e., far), donations to an NFP with a relatively low program ratio are higher if favorable desirability information is provided than when donors are psychologically proximal (i.e., near) or when unfavorable desirability information is provided. Otherwise, congruence effects hold as stated in H2.*

**Figure 1** Theoretical Model for H3



## Accountability in Not-for-profit Organizations

The American Institute of Certified Public Accountants (1941) defines accounting as “the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the results thereof.” This definition indicates that accounting information should do more than simply document historical transactions – it should allow for interpretation of economic events in such a way that users can be informed decision-makers.

Accounting information can send additional signals – beyond summaries of transactions and explanations – that are useful for decision makers. According to Ijiri (1967), the purpose of accounting is twofold: it enables users to make decisions based on predictions about future outcomes, and it serves as a vehicle through which accountability can be monitored. With this in mind, Ijiri (1975) contrasts the “decision approach” to accounting with an “accountability approach,” which emphasizes *accounting for* the stewardship of resources.

We see evidence of these two approaches in practice, where accounting information can both inform specific decisions as well as provide signals of accountability. NFP ratings agencies often rank organizations based on financial performance *and* accountability metrics because both types of information can be useful to donors (Charity Navigator 2019; Gordon et al. 2009; Grant and Potoski 2015; Harris and Neely 2016; Ling and Neely 2013). Financial performance scores are typically based on spending ratios and/or financial health metrics, such as program expense growth and working capital; accountability scores can be based on governance metrics and/or the accessibility of information, such as providing audited financial statements and making board members’ names available on the NFP’s website (Charity Navigator 2019). Guidestar, a prominent NFP ratings agency, makes accountability information easily accessible through its

Seals of Transparency initiative, which awards different levels of recognition (e.g., silver, gold, platinum) to NFPs that provide explanatory information related to items such as goals, strategies, progress, and results (Harris and Neely 2018).

Accounting information, which encompasses both financial performance and accountability measures, is typically thought to provide donors with the data necessary to make informed decisions (Charity Navigator 2019; Harris, Petrovits and Yetman 2015). However, in the absence of additional relevant information, such as that related to mission accomplishment or effectiveness, donors who base giving decisions on spending ratios alone are often left to make interpretations based on information that does not well lend itself to decision usefulness (Hager et al. 2004a; Steinberg 1983; Tinkelman 2006). While they may be the most commonly used basis for assessing NFP performance, spending ratios are not ideal metrics for decision-making because they “do not communicate the achievement of charitable objectives nor the efficiency with which [nonprofit organizations] deliver services” (Parsons et al. 2017, p. 706). Charitable ratings typically do not include a direct measure of efficiency or effectiveness, but they can include explanatory information provided by the NFP about the rated organization’s charitable, operational, and/or financial performance (Charity Navigator 2019; Harris, Neely and Parsons 2019). Together, performance and explanatory information can provide prospective donors with the information related to both predicting future outcomes and assurances of accountability that is necessary to make more fully informed decisions than those based solely on spending ratios.

The value of NFP accountability is evident in prior accounting research. Harris, Petrovits, and Yetman (2018) examine the qualitative information that NFPs provide on IRS Form 990 when an asset diversion is reported and find that greater accountability, as indicated by transparent disclosures, can mitigate the negative effects on contributions stemming from the

disclosure of fraud. In a study that examines responses to accounting errors and deficiencies in internal controls, Burks (2018) interviews NFP board members and finds that while they are concerned about the errors and deficiencies from an operational standpoint, directors tend to be more troubled by the negative *signal* that is sent about the organization's accountability when its accounting information or processes are perceived to be flawed.

Interestingly, Harris and Neely (2016) find that NFPs with *negative* charitable ratings receive more contributions than *unrated* organizations. The authors attribute this to a reduction in information asymmetry, much akin to the capital markets literature that finds negative consequences associated with withholding information (An and Chan 2008; Skinner 1994). However, Gordon and Khumawala (1999) suggest that verification of financial information – in their example, an audit – is “considered evidence of trustworthiness, whether or not the content of the financial statements is used” (p. 45). Similarly, it is possible that being assigned a charitable rating, be it positive *or* negative, sends a signal to donors that an NFP is legitimate and that it has made the information necessary for further examination available, thereby providing enough transparency to promote increased levels of trust in the organization, as evidenced by higher donations. This seems to be in line with Ijiri's (1975) accountability approach to accounting and poses an alternative explanation for the positive association between contributions and negative ratings in Harris and Neely (2016).

While the process by which donors in the aforementioned study assess and incorporate accounting information into their giving decisions cannot be determined via archival data analysis, an experimental setting lends itself to a more complete understanding of such behaviors. We know that accounting information can inform assessments of both financial performance and accountability, and we know that better financial performance leads to higher

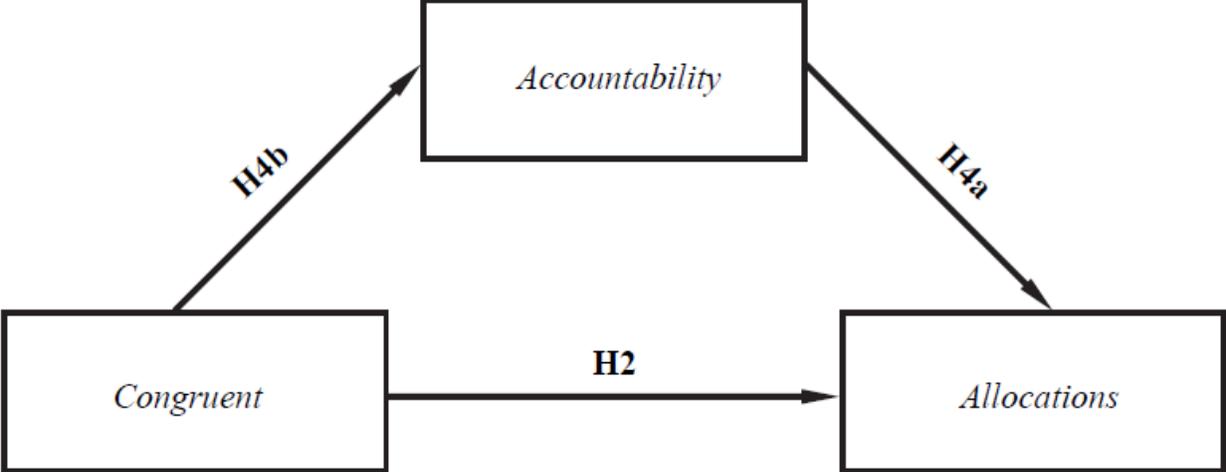
contributions from donors. However, which type of performance information will be most influential to giving decisions when the facts contain mixed (i.e., conflicting) messages is an empirical question that has not yet been addressed in the literature. Likewise, to my knowledge the manner in which performance information containing mixed messages influences donors' perceptions of an NFP's *accountability* has not been examined in prior studies.

While explanatory information in this study does not change past performance, I expect it to aid donors in better understanding the purposes and strategies behind an NFP's spending, leading to increased perceptions of accountability for how it stewards resources. In accordance with Ijiri's (1975) accountability approach to accounting, and because providing accounting information – whether positive *or* negative – may enhance an NFP's trustworthiness, I predict that better perceptions of an organization's accountability will in turn lead to higher donations. I also predict that congruence of explanatory information with a donor's distance will lead to better perceptions of accountability. In other words, explanatory information is expected to enhance perceptions of an NFP's accountability, thereby resulting in a decline in influence of a relatively poor program ratio, and perceptions of accountability are expected to be higher when the explanatory information is congruent with a donor's distance. This prediction, which is illustrated in Figure 2, leads to my final set of hypotheses:

**H4a:** *Donations to an NFP with a relatively low program ratio are higher when donors have better (i.e., higher) perceptions of the organization's accountability.*

**H4b:** *Perceptions of an organization's accountability are better (i.e., higher) when there is congruence, rather than incongruence, between the presentation of explanatory information and donors' psychological distance, thus resulting in increased donations.*

**Figure 2** Theoretical Model for H2, H4a, and H4b



## CHAPTER 3

### EXPERIMENTAL METHOD

#### **Design Overview and Participants**

##### *Overview*

Charitable giving can be an inherently personal activity. When asked to make or describe a donation decision, a natural assumption is that a donor places herself in the context of spending her own (or her family's) money, for her own (or her family's) reasons. This would be a “near” scenario in terms of social distance.<sup>7</sup> However, not all charitable giving decisions are so personal. For example, it is not uncommon for corporations to engage in philanthropic activities, and when decisions regarding how to spend a corporation's charitable dollars are made, the employees making those decisions are rarely doing so at a level that would have any impact on their own personal finances. Relative to personal giving, corporate philanthropy might be considered a “far” scenario in terms of social distance. It is likely, though, that some employees will have a stronger affinity for their employer (or their employer's foundation) than other employees do, so even within that relatively “far” context, the magnitude of social distance can vary from person to person. This is to be expected, as psychological distance is a subjective phenomenon that is closely linked to an individual's direct and indirect experiences.

In order to remove the potentially confounding effects of personal interests, financial situations, or biases toward (or away) from a particular cause, the main tests in my study involve

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<sup>7</sup> Social distance relates to proximity to oneself and can refer to things such as in-group vs. out-group distinctions, active vs. inactive social roles, or first-person vs. third-person perspectives (Ein-Gar and Levontin 2012; Weisner 2015).

a giving decision for someone else's money. It is possible that this "someone else" could be perceived as either a "near other" or a "far other" in terms of social distance. As this type of social distance manipulation has not previously been used in the CLT literature, the first experiment I conduct (Experiment 1) is designed to test whether charitable giving decisions made on behalf of those near to or far from the participant induce differences in social distance relative to a decision made for oneself. Results of the first experiment inform those that follow. After conducting baseline tests and tests of explanatory information differences, I conduct Experiment 2 to test my hypotheses.

All experiments and supplemental (e.g., baseline and explanatory information) tests involve a charitable allocation between two similar organizations, one of which has a lower program ratio (65% vs. 75%). The allocation decision in all but Experiment 1, as described in the next section, is a percentage allotment (summing to 100%) of an unknown dollar amount that is made on behalf of an employer's charitable foundation. While this design imposes a ceiling (i.e., donors cannot allocate more than one hundred percent to one charity or the other), it removes the ability of participants to retain funds for themselves and forces a decision that should make clear the influence of different types of information in charitable giving decisions.

In all subsequent experiments except the baseline tests, the NFP with the lower program ratio provides explanatory information using either concrete or abstract terminology. Each organization's spending ratios are depicted both textually and graphically, in a manner similar to the way many charitable ratings agencies present financial information, so as not to elicit differences related to preferred presentation styles. To control for potential order effects, the order in which the two NFPs are presented is randomized for all participants in all experiments.

Prior to running Experiment 2, I conduct preliminary tests to establish baseline allocation levels between the two NFP organizations. The first of these baseline tests include program ratios but no explanatory information. Additional tests are conducted in both the “near” and “far” distance settings, as well as in settings where suggested program ratio benchmarks of either 70% or 60% are provided to participants. All else equal, in each setting I expect the “better-performing” organization (i.e., the one with the higher program ratio) to receive higher allocations.

### *Participants*

Participants for all tests were obtained using TurkPrime, an online crowdsourcing platform. I required participants to have previously completed at least 100 Human Intelligence Tasks (HITs) and have an approval rate of at least 75%.<sup>8</sup> As the main experimental setting involves imagining oneself in the context of making a decision for an employer’s charitable foundation, it is desirable for participants to have had previous full-time work experience. Additionally, because the experiments involve hypothetical giving decisions, it is desirable for participants to have previously made a decision to give to a charitable service organization. Those who met the screening requirements – they have worked full-time for at least two years and have previously given to an NFP other than for a religious offering – were randomly assigned to one of the experimental treatment conditions.<sup>9</sup> Upon completion of the study,

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<sup>8</sup> In hindsight, I would make these qualifications stricter to reduce the likelihood of needing to eliminate responses. As discussed in the Results section, many observations were eliminated for reasons such as failed attention check questions and multiple submissions from the same IP address or Worker ID.

<sup>9</sup> Some charitable giving is categorized as consumptive philanthropy, where donors participate in a type of exchange transaction that results in them being recipients of services or other benefits provided by an organization. Giving to most NFP performing arts centers, museums, and religious organizations (e.g., for offerings at churches or temples) is often considered consumptive, at least in part (Gordon and Khumawala 1999). Religious giving can be especially complex, as these donors’ motives for giving and related demand for financial information tend to be different from those of many non-consumptive donors (Gordon and Khumawala 1999; Lohmann 1992). As a result, I do not consider giving toward a religious offering to be the same as the types of giving decisions – those that rely primarily on accounting information – examined in this study.

participants were paid a fair wage (\$1.75, equivalent to \$8.75/hour) based on the average time expected to complete the case (approximately 12 minutes).<sup>10</sup>

### **Experiment 1 – Test of Social Distance Manipulation**

Chandran and Menon (2004) examine the effects of social and temporal distance in an assessment of health risks and find that differences in their social distance manipulation are only evident when risks are framed in terms of “far” temporal distance. Kim et al. (2008) pair social distance with temporal distance and find that information’s congruence with the two types of distance drives individuals’ personal product assessments when those construals are *low*, but when construal-levels are *high*, only one type of distance need be congruent with the high-level construals in order for the pairing to shift preferences.

Health risk assessments and personal product assessments are different types of decisions that may be viewed as hypothetically more near or far based on the likelihood of health problems or specific product purchases occurring in an individual’s everyday life. As a result, even though hypothetical distance was not manipulated in their studies, it is possible that the decisions presented in Chandran and Menon (2004) and Kim et al. (2008) are inherently different in terms of their psychological distance to participants. Product purchases may generally be more “near” and therefore construed at a lower level than health risks, and this potential difference in proximal or distant natural settings is a possible explanation for the difference in the strengths of the distance pairings in the aforementioned studies (i.e., “near” pairings affect product assessments but not health risk assessments; “far” pairings affect both types of decisions; and “far” temporal distance drives the effect for risk assessments but not product assessments).

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<sup>10</sup> Participants who completed Experiment 1, baseline tests, and tests of the explanations were paid \$1.50 because these tests did not include all of the supplemental questions and therefore took about 10 minutes to complete.

The decisions presented in Chandran and Menon (2004) and Kim et al. (2008) are very different from charitable giving decisions, which potentially add a new layer of complexity in terms of social and hypothetical distance. While charitable giving typically benefits someone other than (perhaps in addition to) the giver, it is possible that decisions made for oneself can be more socially “near” than decisions made on behalf of others. Likewise, an assessment involving a hypothetical donation to an unnamed organization, which may be viewed as more or less likely to actually occur, might seem more “far” than a decision involving real money given to a specific organization.

It is impossible to remove experimental decisions involving charitable giving from the context of some type of giver – self or others. Accordingly, before formally testing my hypotheses, I conduct Experiment 1 to test a potential manipulation of social distance. To avoid imposing an automatic “near” context in all conditions by asking participants about a decision involving their own money, I test whether near and far versions of social distance might be imposed in the context of making a decision for someone else’s money. The near setting involves a decision for a deceased close relative’s money, while the far setting involves a decision for an employer’s deceased client’s money.

Experiment 1 employs a 1 x 3 between-subjects design with social distance (self vs. near other vs. far other) as the manipulated variable. Participants in this experiment are randomly assigned to one of three conditions based on whose money they are asked to direct: their own (self), that of a deceased close relative (near other), or that of a deceased client of the law firm for which they work (far other). Participants are provided with basic information about two similar NFPs, one with a lower program ratio (65% vs. 75%). They are first asked to make an allocation decision, based on a percentage of (unspecified) funds available, to either or both

organizations. They are then asked to complete Vallacher and Wegner's (1989) Behavioral Identification Form (BIF) (see Appendix A). The BIF is an instrument designed to measure individual differences in construal levels (Vallacher and Wegner 1989). See Appendix B for materials related to Experiment 1.

I expect that a close family member is likely to be more like oneself than an employer's client who is not known by the employee. Accordingly, I predict that those in the "self" and the "near other" groups will provide more concrete responses in the BIF because their psychological distance is relatively near, and those in the "far other" group will provide more abstract responses because their psychological distance is relatively far. As an additional indication of social distance, once the experimental task is completed, I ask participants in the "near other" and "far other" groups to rate (on a scale of 1–10) how similar the donation decision for the relative's or client's money is to a donation decision they might make for their own money.

## **Experiment 2 – Tests of Hypotheses**

I conduct Experiment 2 to test my hypotheses by measuring how explanatory information influences donation decisions (H1 and H2); by testing whether favorable or unfavorable desirability information leads to differences in donations depending on a donor's psychological distance (H3); and by examining the impact of perceived accountability on donations when explanatory information is congruent or incongruent with a donor's distance (H4a and H4b). This experiment is run in two contexts that differ only in the desirability information that is provided: in the first, the low performer's program ratio is below a suggested minimum benchmark of 70%, while in the second, the program ratio for both charitable organizations

exceeds the suggested benchmark of 60%.<sup>11</sup> This represents unfavorable desirability information for the former experiment and favorable desirability information for the latter.

Experiment 2 is conducted using a 2 x 2 x 2 between-subjects design with psychological distance (near vs. far), the presentation of the explanatory information (concrete vs. abstract), and program ratio benchmarks (70% vs. 60%) as the manipulated variables. Participants are told that they have been selected to serve on a committee at work that makes giving decisions for their employer's charitable foundation (see Appendix C for design and wording of experiment). The committee has not yet decided how to allocate its funds, so it is the participant's responsibility to review information for two charitable organizations and then decide what percentage of the funds, if any, should be given to each organization. Participants are then provided with information related to two otherwise similar NFPs with program ratios of 65% and 75%, and they are told that charitable ratings agencies' suggested minimum benchmark for the program ratio is either 70% or 60%.

### *H1 and H2 – Explanatory Information and its Congruence with Psychological Distance*

Because psychological distance is a subjective construct, I use two types of psychological distance – spatial and temporal, matched in terms of their proximity – to ensure a strong distance manipulation. In the near distance condition, participants are told that both NFPs are expected to have an “immediate impact in your local community” while in the far distance condition, the NFPs are expected to have an “impact over the next few years in a foreign country.”<sup>12</sup> Fujita, Henderson, Eng, Trope and Liberman (2006) confirm that situations which occur in a local

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<sup>11</sup> Most charitable ratings agencies and watchdog organizations suggest that program ratios should be 60% or higher, and nearly eighty percent of individual donors believe they should be at least 70% (BBB Wise Giving Alliance 2001; Charity Navigator 2019; Combined Federal Campaign 2018; Lammers 2003).

<sup>12</sup> To avoid having different preferences for a particular mission (e.g., education, conservation, disease prevention, animal protection) among participants, I do not name a specific charitable cause.

community are more spatially near than those that occur in a foreign country. Liberman and Trope (1998) successfully employ a variety of different time spans to manipulate temporal distance, including “tomorrow vs. sometime next year,” tomorrow vs. a year from now,” and “immediately vs. nine weeks later.”

A brief explanation of performance using either more concrete or more abstract terminology is provided for the organization with the lower program ratio. Congruence exists in the cases where near (far) psychological distance is paired with concrete (abstract) explanatory information. Following the concrete versus abstract language manipulation used in Elliott et al. (2015) and examples available from the SEC (1998), concrete information is provided using numbers, details, and specific but subordinate objectives while abstract information is provided using broad, conceptual, and superordinate ideas. Both explanations center on technology upgrades expected to benefit the organization by either: (a) “decreasing payment processing costs for an annual cost savings of \$100,000 and converting 33% more first-time donors into repeat givers” (i.e., low-level, concrete construals), or (b) “increasing funds available for program spending through strategic partnerships and simplifying the giving process, with the goal of greater financial support” (i.e., high-level, abstract construals). The complete wording of each explanation is shown below:

**Concrete:** Last year, Charity A spent more than usual on overhead because it paid for technology upgrades expected to make more funds available for future program spending by decreasing costs and increasing revenues. Specifically, it signed agreements with all major credit card companies to automate payment processing and cut transaction fees by \$100,000 annually. Automation will simplify the giving process by enabling recurring monthly giving, which should result in 33% more first-time givers making a repeat gift.

**Abstract:** Last year, Charity A spent more than usual on overhead due to an investment in technology upgrades that is expected to increase future program spending. It entered into strategic partnerships with major financial services institutions to automate processes and cut fees. Automation will simplify the giving process, which should result in greater financial support.

Compared to baseline tests involving no explanatory information, I expect that *either* explanation will lead to higher donations for the NFP with the lower program ratio, and when the explanation is congruent with a donor's psychological distance, it will result in even higher allocations.

### *H3 – Desirability*

CLT holds that “plans for the distant future, but not for the near future, are contingent on desirability” (Liberman and Trope 1998, p. 15). Factors related to greater desirability cause people to be more goal-focused, so these factors are more (less) influential to those which are distant (proximal) (Liberman and Trope 1998). Additionally, Liberman and Trope (1998) find that factors related to *lower* desirability are not as influential when people are provided with favorable information about feasibility.

I provide favorable or unfavorable desirability information in the form of a suggested benchmark from charitable ratings agencies. The information is favorable (unfavorable) in the 60% (70%) benchmark context because the NFP with the lower program ratio exceeds (does not exceed) the minimum threshold. Desirability factors may serve as a sort of interruption to thoughts or consideration of facts, especially for those already engaged in low-construal-level thinking (Dai et al. 2014; Liu 2008). Therefore, the benchmark information is provided after the explanatory information and immediately before the instructions asking participants to make their allocation decision. Because it is more desirable for an organization to exceed a performance benchmark than to fall below the expected threshold, I expect participants in both of the “far” distance groups in the 60% benchmark context to allocate more to the NFP with the lower program ratio than those in the “near” distance groups in the same context.

#### *H4a and H4b – Perceived Accountability*

I predict that better perceptions of accountability will result in higher donations, and that an explanation which is congruent with a donor's distance will lead to better perceptions of accountability than an incongruent explanation. This is in accordance with Ijiri's (1967) decision and accountability approaches to accounting, which maintain that accounting information both enables users to make decisions based on predictions about future outcomes *and* it serves as a vehicle through which accountability can be monitored.

After participants make their allocation between the two NFPs, I ask about reasons they chose to give (or not) to the organization with the lower program ratio. Included in a list of several other reasons for an allocation of any amount (e.g. the organization is likely to have lower overhead in the future, it serves in the local community or a foreign country, it has a relatively high/low program ratio) are questions pertaining to the donor's perceptions of the NFP's accountability (see Figure C.4 in Appendix C for a list of all "reasons for allocations" questions). I include questions in addition to those that measure perceived accountability, and randomize the order in which they are presented, so as not to prompt participants to indicate that their allocation was based on accountability factors.

Following Morgan and Hunt (1994), I present questions adapted from the Dyadic Trust Scale (DTS) to measure participants' perceptions of organizational accountability (Larzelere and Huston 1980). The original DTS contains eight questions about interpersonal relationships, and I employ the four questions most closely related to Mayer, Davis, and Schoorman's (1995) facets of organizational trust (e.g., those related to trust, integrity, ability, and benevolence). Using a 7-point Likert scale with anchors of "strongly disagree" and "strongly agree," I ask participants to indicate the importance of each reason to give. As congruence of information and distance

causes the negative effect of a low program ratio to be less influential, I predict that donors will demonstrate more positive perceptions of the NFP's accountability for properly stewarding its resources, and that this will result in an increased willingness to give to the organization.

### **Models and Variable Definitions**

I employ a variety of statistical tools to evaluate my hypotheses, including ordinary least squares (OLS) regressions, analysis of covariance models (ANCOVA), and PROCESS mediation analyses.

#### *Regression models*

Advantages of presenting my analyses using regression results include the clear interpretability of the coefficients as well as the ability to show the progressive impact on allocations to the NFP with the low program ratio when there is (a) no explanation of performance, (b) *any* explanation of performance, or (c) a *congruent* explanation of performance. Because the dependent variable is allocations to the NFP with the low program ratio, and this allocation can range from 0 to 100 percent, the regression coefficients directly translate to the mean percentage differences in allocations when different types of information are combined to influence donors' giving decisions.

To test H1, I run regression model (1) on a combined sample of participants from the baseline tests (who were not shown explanatory information) and from Experiment 2 (who were all shown explanatory information). I first use a reduced form of the following OLS model to test H1, then add additional items to further test my prediction when including variables of interest (*Benchmark* and *Accountability*) that relate to subsequent hypotheses:

$$Allocations = \beta_0 + \beta_1 Explanation + \beta_2 Distance + \beta_3 Benchmark + \beta_4 Accountability + Controls + \varepsilon \quad (1)$$

where:

- Allocations* = Donation allocations to the NFP with the 65% program ratio, ranging from 0 to 100 percent.
- Explanation* = Explanatory information. Coded 1 if provided (for all those in Experiment 2) and 0 if not provided (for those in baseline tests).
- Distance* = Psychological distance. Coded 1 if far, 0 if near, or -1 if distance was not provided (“-1” is only an option in the baseline tests).
- Benchmark* = Suggested program ratio benchmark. Coded 1 if 60%, 0 if 70%, or -1 if a benchmark was not provided (“-1” is only an option in the baseline tests).
- Accountability* = Perceived accountability. This is an average score based on participants’ responses to four questions (see Appendix B) adapted from the Dyadic Trust Scale. Responses are scored on a 7-point Likert scale, with higher scores indicating higher levels of the lower-performing NFP’s perceived accountability.
- Controls:  
*Soc+Hyp* = Social & Hypothetical distance. This is an average score based on participants’ responses to four questions (see Table 5) designed to measure their relative feelings of proximity to or distance from their employer and the charitable decision in the study. Responses are scored on a 7-point Likert scale, with higher (lower) scores indicating proximity (distance).
- Involvement* = Current or previous involvement with an NFP organization. Coded 0 if no involvement, 1 if volunteer experience, 2 if ever employed, 3 if ever employed *and* volunteer experience.
- Board Experience* = Current or previous experience as a member of the board of directors of an NFP organization. Coded 1 for experience, otherwise 0.

*Allocations* range from 0 to 100, indicating the percentage that participants allocated to the NFP with the lower 65% program ratio. *Explanation* is an indicator representing those who were shown explanatory information. *Distance* is coded 1 if the imposed psychological distance was far, 0 if near, and -1 if no distance information was provided (in the baseline tests only).

*Benchmark* indicates whether participants were assigned to the 60% benchmark context (coded 1), the 70% benchmark context (coded 0), or a context where no benchmark was given (coded -1, which appears in the baseline tests only). The *Accountability* variable measures participants' perceptions of the NFP's accountability and is a score based on mean responses to four questions adapted from the Dyadic Trust Scale (DTS).

Although differences among participants are expected to be randomized between the experimental conditions, I include additional controls for potential measurable differences.<sup>13</sup> *Soc+Hyp* is a score based on participants' mean responses to questions about social and hypothetical distance. This item is intended to measure individual aspects of psychological distance that may affect decision making. *Involvement* relates to participants' current or previous involvement with NFP organizations, with 0 indicating no involvement, 1 indicating volunteer experience, 2 indicating employment experience, and 3 indicating both volunteer and employment experience. *Board Experience* is an indicator for current or previous experience as a member of the board of directors for an NFP.

To test H2, I adapt model (1) to evaluate only those responses from participants in Experiment 2, who were all provided with explanatory information. This eliminates the need for the *Explanation* variable and introduces the need for *Abstract*, which is coded 1 or 0 depending on whether the participant was provided with abstract or concrete explanatory information. I test H2 using iterative regression models that take the following form in full:

$$Allocations = \beta_0 + \beta_1 Distance + \beta_2 Abstract + \beta_3 Congruent + \beta_4 Benchmark + \beta_5 Accountability + Controls + \varepsilon \quad (2)$$

where:

*Abstract* = Presentation of explanatory information. Coded 1 if abstract and 0 if concrete.

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<sup>13</sup> Inferences for tests of H1, H2, and H3 are unchanged when control variables are excluded.

*Congruent* = Congruence of explanatory information with distance. Coded 1 if congruent (Near:Concrete or Far:Abstract) and 0 if incongruent.

*Controls* = *Soc+Hyp. Involvement. Board Experience.*

(All other variables previously defined. See Table 1 for all variable definitions).

### *ANCOVA models*

ANCOVA models are useful in my analyses because they allow me to compare mean allocations between congruent and incongruent groups while controlling for confounding factors, and to analyze these comparisons within different independent variable groups (e.g., 60% and 70% benchmark contexts, near and far distance conditions). My ANCOVA models use the variables discussed in the previous section. Because H3 is focused on differences between near and far groups in the 60% benchmark context, I examine the effects of distance and information presentation (i.e., concrete vs. abstract) separately, rather than by using the *Congruent* variable. The dependent variable in my primary factorial ANCOVA is *Allocations*, and *Distance*, *Abstract*, and *Benchmark* are the independent variables of interest. I then remove *Benchmark* from the analyses when I split the sample into separate benchmark contexts to evaluate differences within each group. Covariates in all ANCOVA models include *Accountability*, *Soc+Hyp*, *Involvement*, and *Board Experience*.

### *PROCESS*

PROCESS tools are advantageous because integrated into them are computational functions that allow efficient estimation of models, calculation of various types of effects, and implementation of computer-intensive processes such as bootstrapped confidence intervals (Hayes 2018). While H4a can easily be tested using regression or ANCOVA models, I employ a PROCESS mediation model to test H4b. The dependent ( $\gamma$ ) variable is *Allocations*, the

independent ( $X$ ) variable is *Congruent*, and the mediator ( $M$ ) is *Accountability*. Covariates include *Distance*, *Abstract*, *Benchmark*, *Soc+Hyp*, *Involvement*, and *Board Experience* (see Table 1 for variable definitions).

## CHAPTER 4

### RESULTS

Construal level theory posits that the mechanism by which an individual prefers information or situations that are congruent with his/her psychological distance is the result of an underlying, subconscious process, of which the individual has no awareness. Accordingly, while participants did not need to be aware that they were placed in relatively “near” or “far” conditions or that they were shown relatively “low-construal-level” (concrete) or “high-construal-level” (abstract) explanations of financial performance, it *was* necessary for them to be aware of certain facts presented in the study to ensure that they paid attention to their specific experimental context.

My primary variable of interest is congruence vs. incongruence (using psychological distance and the presentation of explanatory information), so it was first necessary that participants be aware of *where* the charitable organizations in the study serve (local community or foreign country). Therefore, I included attention check questions (see Appendix C) immediately after the allocation decision, and responses from participants who gave incorrect answers to questions regarding the location served or the primary difference between the two charitable organizations (i.e., the program ratios), as this directly affects the study’s dependent variable, were not included in the study.<sup>14</sup>

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<sup>14</sup> To ensure the salience of the distance manipulation, participants were shown distance (timing and location) information three times, on multiple pages, prior to arriving at the attention check questions. See Figure C.3 in Appendix C for details on the placement of this information in the experiment.

Additionally, following Buchheit, Doxey, Pollard and Stinson (2018), responses that were submitted from the same IP address were analyzed, resulting in the following eliminations: observations that were flagged by TurkPrime as “spam;” observations where multiple attempts were made and answers to screening questions were changed in order to “qualify” to participate; and observations where the full study was completed multiple times. In the latter cases, the first observation was kept but subsequent observations were eliminated, provided that subsequent ending times did not overlap with the original start time. I applied this same process to cases where multiple submissions were made by individuals using the same Worker ID.

Finally, to serve as additional attention-check questions, I included text-response questions asking why people might generally choose to give (or not) to charitable organizations. Inspection of these responses resulted in the following eliminations: responses that were identical to other responses (likely indicating that the same individual participated in the study multiple times); responses that copied part of the case study materials (for example, multiple responses included the explanatory information, or a portion of it, as the answer); those clearly copied from sources available on the internet; and nonsense or otherwise unintelligible responses (e.g., one respondent typed “very lucky and good. very lucky and very lucky”) (Buchheit et al. 2018).<sup>15</sup> Across all experiments, 152 observations were eliminated, resulting in a total of 114 participants in the baseline tests, 128 in the explanatory information test, 77 in Experiment 1, and 283 in Experiment 2.<sup>16</sup>

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<sup>15</sup> Many of the responses warranted exclusion by multiple criteria. The most common cause for elimination was failed attention check questions, followed by multiple attempts from the same IP address. Within the latter category, the most common violation was multiple submissions with different responses to initial screening questions.

<sup>16</sup> The total elimination count also includes those who failed the initial screening criteria, as well as those who started but did not finish the experiments. Sample sizes differ in some analyses because some participants did not answer all of the supplemental questions.

One of the disadvantages of administering studies via TurkPrime is that there is no oversight of participants during the question-and-answer period, thus allowing them to rush through questions without reading them or fully following directions. As a result, it is common for TurkPrime respondents to be told that attention check questions must be answered correctly in order to receive payment for completion of the study. Accordingly, I informed participants that attention check questions would be asked and that payment could be withheld for failing to answer those questions correctly. Anyone who completed the study but did not receive payment was provided with detailed reasoning for their submission being rejected (e.g., failed all attention check questions, attempted study multiple times and changed answers to initial screening criteria). Initially requiring more stringent participant-quality standards, such as higher approval rates, would likely reduce the need to eliminate so many observations.

### **Experiment 1 – Test of Social Distance Differences**

Experiment 1 is conducted to test whether charitable decisions made for the self, a “near other,” or a “far other” cause differences in social distance. As the giving decision presented in Experiment 2 (which is designed to test my formal hypotheses) involves a decision for someone else’s (an employer’s) money, I first want to test whether such a scenario automatically places participants in a relatively “far” context. I attempt to impose a socially proximal condition for a “near other” by framing the giving decision as being for a deceased close relative, and a socially distant condition for a “far other” by framing the giving decision as being for an employer’s deceased client. Because a decision made for one’s own money is likely to be socially near, if these conditions do indeed represent a manipulation of social distance, construal levels – as evidenced by BIF scores – for those in the “near other” condition should be more like those of

donors who make a donation decision for their own money (“self” condition) than those who are in the “far other” condition.

Table 2 presents results from a multivariate analysis of variance (MANOVA) that tests the effect of distance on allocations, BIF scores, and the “similarity to self” score. Means are shown for each distance condition (self, near other, far other), and results indicate that the imposed social distance manipulations do not have a significant effect on any of the included items. Participants in the different distance conditions do not allocate different amounts to the NFP with the lower program ratio, they do not score differently on the BIF, and they do not rate the context of the giving decision differently (in comparison to a decision made for themselves) (all  $p$  values  $> 0.20$ , two tailed). On average, participants allocate 21.3% to the low performer, score 16.9 (out of a possible 25) on the BIF, and rate the giving decision – in terms of similarity to a decision made for oneself – at 6.2 on a scale ranging from 1 to 10 (untabulated).

Taken together, these results indicate that making a decision for a deceased relative’s money does not significantly differ from making a donation decision for a deceased client’s money or for one’s own money in terms of the social distance imposed or the construal levels evoked. Because this experiment suggests that making a donation decision for someone else’s money is not inherently different from making a donation decision for oneself, I conduct Experiment 2 and its supplemental tests (baseline tests and explanatory information comparisons) without attempting to manipulate social distance using “near and far others.”

## **Experiment 2 – Tests of Hypotheses**

### *Experimental Scenario*

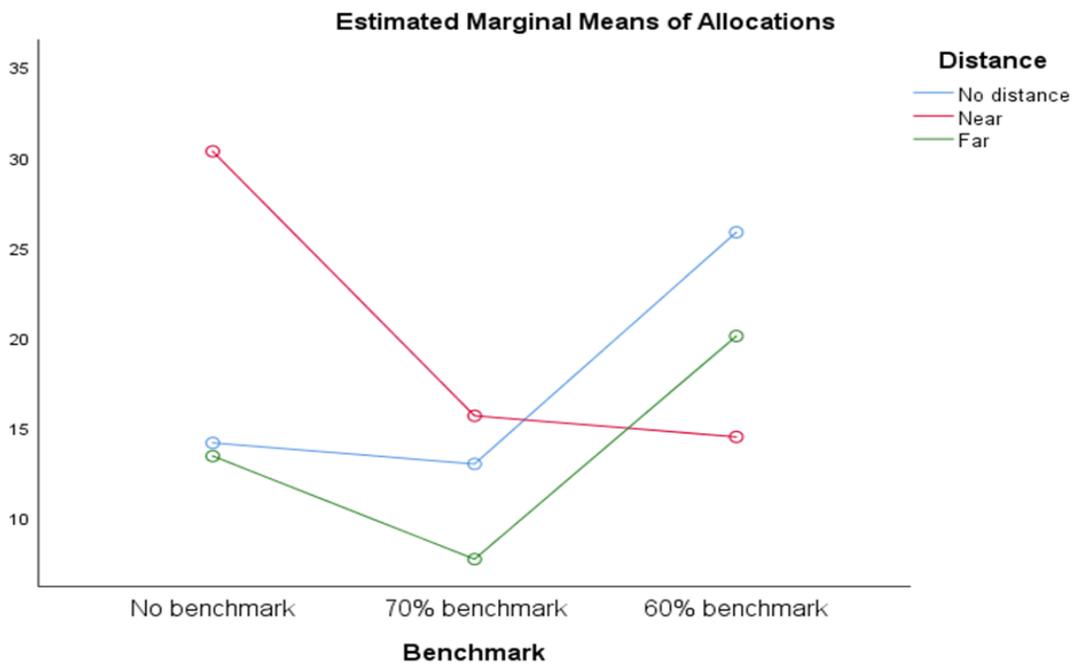
In Experiment 2, all participants are presented with a scenario where they are a member of a committee at work that needs to make an allocation decision for their employer’s charitable

foundation. Because it is possible that social distance may differ based on participants' relative feelings of proximity to or distance from their employer, or that hypothetical distance may differ based on their perceived likelihood of ever being in a similar scenario, I asked follow-up questions designed to measure individual levels of social and hypothetical distance. Results are discussed later in this section.

*Baseline Tests*

To establish baseline allocation levels, I conducted preliminary tests involving an allocation decision – but no explanatory information – between two NFPs with program ratios of 65% and 75%. The allocation could be made to one or both organizations and had to sum to 100%. Table 3 presents results for the baseline tests, which are also depicted in Figure 3. As expected, in all baseline tests the “better-performing” organization (i.e., the one with the higher program ratio) receives higher allocations. On average, when no distance or benchmark

**Figure 3** Baseline Allocation results



information is provided, participants allocate 14.2% to the NFP with a 65% program ratio and 85.8% to the NFP with a 75% program ratio. For ease of discussion, and because tests of hypotheses are focused on allocations to the “low performer,” results in the remainder of this narrative are described in terms of the allocation to the NFP with the lower program ratio.

When distance information is included, participants in the “near” distance group allocate an average of 30.3% to the low performer while participants in the “far” group allocate 13.4%. This difference is significant ( $p = 0.048$ , one-tailed), but the difference between the “far” distance group and the group that was not given distance or benchmark information is not significant. When benchmark (but not distance) information is included, participants in the 60% context allocate 25.8% to the low performer while participants in the 70% context allocate 13.0%. The difference between benchmark contexts is significant ( $p = 0.047$ , one-tailed). The difference between the “near” and 60% benchmark groups is not significant; neither is the difference between the “far” and 70% benchmark groups (all non-significant  $p$  values  $> 0.10$ , two-tailed).

These initial results suggest that either being placed in a “near” distance condition or being told that the lower-performing NFP has exceeded a performance benchmark influences donors to allocate higher amounts to that NFP. This indicates that the 60% benchmark context is favorable, and it appears to align with Gordon and Khumawala’s (1999) Model of Individual Giving, which suggests that donors are more likely to give to an NFP when they are near to the organization and/or its beneficiaries.

However, I also run baseline tests that combine the different distance and benchmark contexts. Panel B of Table 3 shows that “near” distance combined with a 60% benchmark causes allocations to revert back to a level statistically similar to those of “far” distance or a 70%

benchmark, with mean allocations of 14.5%, 13.4%, 13%, respectively. Additionally, while being placed in the “far” distance condition or being told that the lower-performing NFP’s program ratio is below a benchmark does not influence donors to allocate amounts that are statistically different from when no distance or benchmark information is provided, combining those two pieces of information (far distance and a 70% benchmark) results in average allocations of 7.7%, which is statistically lower than allocations in both the “far 60%” condition (20.1%) and the “near 70%” condition (15.7%) ( $p$  values  $\leq 0.10$ , one-tailed) as well as those in the “near” and “60%” conditions ( $p$  values  $\leq 0.01$ , one-tailed).

Panel C of Table 3 shows combined baseline allocation totals for the different distance and benchmark contexts. The “near” and 60% groups, each with average allocations near 21%, give statistically more than the “far” and 70% groups, with average allocation of 13.9% and 12.5%, respectively ( $p$  values  $\leq 0.05$ , one-tailed). Across all conditions, participants allocate an average of 17.7% to the NFP with the low program ratio.

#### *Explanatory Information Comparisons*

Prior to running Experiment 2, I conduct preliminary tests to ascertain whether allocations to the NFP with the lower program ratio differ based on the concreteness or abstractness of the explanatory information provided. Participants for these explanatory information comparisons were presented with the same scenario as those in the main experiment, minus the information related to psychological distance.

Table 4 presents cell sizes, means, and standard deviations of allocations to the lower performing NFP based on the presentation (concrete vs. abstract) of explanatory information. There are no significant differences in allocations from participants who are given a concrete explanation compared to those who are given an abstract explanation. There are also no

significant differences between those who are told that the benchmark for the program ratio is 60% or 70% (all  $p$  values  $> 0.10$ , two-tailed). On average, regardless of which benchmark is provided, participants who view a concrete explanation allocate 39.6% to the NFP with the lower program ratio, while those who view an abstract explanation allocate 36.6%. Across both construal level and benchmark conditions, the total allocation average is 38.1%.

These results indicate that the explanatory information used in the main experiment does not differ in influence based on whether it is presented as more concrete or more abstract. Furthermore, participants do not differ in their response to the explanatory information if they are provided with a 60% or 70% benchmark, suggesting that high (low) desirability information does not diminish or augment the influence of the explanatory information.

#### *Tests of Hypotheses – H1 and H2*

H1 predicts that an explanation of performance will lead to higher donations to an NFP with a relatively low program ratio, and H2 predicts that congruence of that explanation with a donor's distance will result in even higher donations. I use models (1) and (2) to test these predictions. The main variables of interest in model (1) are *Explanation*, which is coded 1 for participants who were given a performance explanation (those in Experiment 2) and 0 for participants who were not given an explanation (those in the baseline tests), and *Distance*, which is coded 1 for participants in "far" conditions, 0 for those in "near" conditions, and -1 for those were not provided with distance information (in the baseline tests only). While H1 specifically relates to the explanation, baseline tests show differences in allocations (30.3 vs. 13.4, see Table 3) between near and far distance groups ( $p = 0.01$ ), so it is possible that the influence of a performance explanation will differ depending on a donor's distance.

Due to their relevance to subsequent hypotheses, I also test H1 with *Benchmark* and *Accountability* included as variables of interest in models (1) and (2). *Benchmark* is an indicator with 1 representing those who were in the 60% benchmark context, 0 representing those who were in the 70% benchmark context, and -1 representing those who were not provided with benchmark information. *Accountability* is based on participants' mean responses to questions adapted from the Dyadic Trust Scale (DTS). To be sure that my adapted questions capture what was intended, I perform a factor analysis (untabulated) which yields only one factor with an eigenvalue greater than 1, as anticipated. All items load onto this factor at 0.70 or higher, indicating that they measure the same underlying construct. A reliability analysis for the four questions reveals high internal consistency, as the Cronbach's alpha is 0.84 and the intra-class correlation coefficient (0.841) is statistically different from zero ( $F_{276,828}=6.29, p < 0.01$ , two-tailed). I take an average of these four items to create the measured control variable *Accountability*. See Figure C.4 in Appendix C for these and other questions asked of participants regarding reasons for their decision to donate (or not) to the NFP with the lower program ratio.<sup>17</sup>

Control variables include *Soc+Hyp*, *Involvement*, and *Board Experience*. When distance is imposed in this study, I manipulate temporal and spatial distance, but CLT holds that the latent construct of psychological distance can be impacted by four measures of distance: temporal, spatial, social, and hypothetical. Because Experiment 2 involves a hypothetical scenario that is related to an employer's charitable giving, I try to ascertain whether participants feel more or less

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<sup>17</sup> Participants were asked questions about possible reasons for their allocation in addition to those adapted from the DTS in order to avoid leading or prompting them to respond a certain way to the perceived accountability questions. Although the only planned factor among these items was *Accountability*, I perform a factor analysis with all of the "reasons" questions to ascertain whether any of the questions (1) happen to form a new factor or (2) happen to measure the same construct as the planned DTS-adapted items. Results (untabulated) from this analysis confirm that only one factor is present among these questions (eigenvalue = 2.71), and that only the four items that were planned to be part of the *Accountability* measure exceed the recommended 0.70 threshold to be included in the factor (Hair et al. 2010).

distant from their own employer (a form of social distance) and from the context of the giving decision itself (a form of hypothetical distance). I also ask about the relevance of the spatial and temporal distance elements in order to distinguish that which is imposed from that which is measured. See Panel A of Table 5, which presents the factor analysis results, for a list of all measured distance questions along with the mean responses to each question.

The aim of the additional distance questions is to measure social and hypothetical distance separately from the distance imposed in the experiment. In order to gauge whether social and hypothetical distance are captured as separate dimensions as intended, I conduct a factor analysis with varimax rotation.<sup>18</sup> Panel B of Table 5 shows that the analysis yields two factors with eigenvalues greater than 1. Together, these factors account for over 72 percent of the cumulative variation. As expected, the first iteration of the analysis resulted in removal of the question related to imposed (spatial and temporal) distance, as its highest loading is 0.388 with Factor 1 (Hair, Black, Babin, and Anderson 2010). Panel C of Table 5 presents the factor loadings for the remaining four questions. When the analysis is run without the imposed distance question, two factors again emerge that now account for nearly 82% of the cumulative variation (untabulated), and these factors are split along the expected social and hypothetical distance dimensions.

Although the social and hypothetical distance questions were designed to test two different types of distance, CLT supposes that they – along with spatial and temporal distance – are different measures of the same latent construct of psychological distance. A reliability analysis confirms that together, the four questions have high internal consistency, as the

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<sup>18</sup> Varimax rotation is used because four of the distance questions were designed to load evenly onto separate factors of social and hypothetical distance, while one question was not expected to load on either of those factors (Russell 2002).

Cronbach's alpha is 0.73 and the intra-class correlation coefficient (0.725) is statistically different from zero ( $F_{233,699}=3.64, p < 0.01$ ). Therefore, I opt take the average of these four items to create the measured control variable *Soc+Hyp*.

Panel D of Table 5 presents the cell sizes, means, and standard deviations for *Soc+Hyp* by imposed distance (near and far), presentation of the explanation (concrete and abstract), congruence (or not), and benchmark (60% or 70%). Tests reveal no statistical differences in means within any of the categories. *Soc+Hyp* is intended to be a measure of individual differences and as such, was not expected to have significant differences in means among any of the groups.

Table 6 presents descriptive statistics for the regression variables for responses from participants in the baseline tests and in Experiment 2. *Allocations* range from 0 to 100 percent. *Distance* is coded 1 for far, 0 for near, and -1 when no distance information was provided (for those in the baseline tests only). Similarly, *Benchmark* is coded 1 for the 60% benchmark context, 0 for 70%, and -1 when no benchmark information is provided (for those in the baseline tests only). *Abstract* and *Congruent* are indicators for abstract explanatory information and congruence of explanatory information with distance, respectively. *Accountability* and *Soc+Hyp* are each based on an average score from four Likert-scale items which range from 1 to 7. *Involvement* is an ordinal variable representing current or previous involvement with NFPs (e.g., as a volunteer or employee). *Board Experience* is an indicator for current or previous experience as a member of the board of directors for an NFP organization.

Pearson and Spearman correlations for the combined sample (from baseline tests and Experiment 2) are presented in Panel A of Table 7; correlations for Experiment 2 only are

presented in Panel B of Table 7. Multicollinearity does not seem to be an issue as the independent variables do not appear to be highly correlated with one another.

Table 8 presents iterative regression results for model (1) to test H1. I find support for H1, as the positive coefficients for *Explanation* indicate that when an NFP with a relatively low program ratio provides donors with explanatory information about that ratio, donations increase significantly ( $p$  values  $< 0.01$ , one-tailed) compared to baseline tests where donors are not given an explanation. This relationship holds when *Benchmark* and *Accountability* are added to the model. Additionally, inferences are unchanged when controlling for *Congruent* and *Abstract*, but I do not tabulate these additions because participants who were not shown an explanation do not fit the congruent vs. incongruent and abstract vs. concrete dichotomies, respectively.

Table 9 presents iterative regression results for model (2) to test H2. I find support for H2, as the coefficients for *Congruent* in all iterations of the model indicate that explanatory information which is congruent with a donor's distance (either concrete:near or abstract:far) results in higher donations to the lower-performing NFP than incongruent explanatory information ( $p$  values  $< 0.01$ , one-tailed). These models also show a positive and significant effect of both *Benchmark* and *Accountability* on donations. The former relates to H3 and will be discussed in the next section, while the latter provides initial support for H4a, which will be discussed in *Tests of H4a and H4b*. Taken together, results for tests of H1 and H2 suggest that explanations of performance lead to higher donations for an NFP with a low program ratio, and when the explanation is congruent with a donor's distance, donations increase even more.

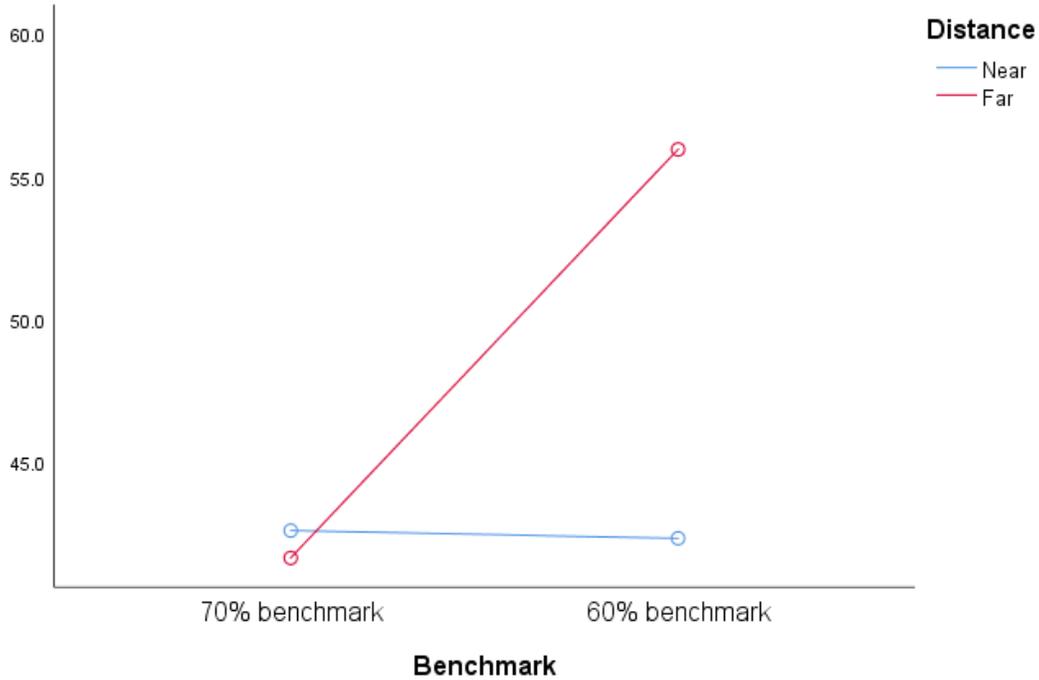
### *Tests of Hypotheses – H3*

H3 predicts that donors who are far will donate more to an NFP with a relatively low program ratio than donors who are near if they are presented with favorable desirability

information in addition to favorable feasibility information (i.e., explanatory information). Exceeding a benchmark is expected to be viewed as higher in desirability than not meeting a benchmark, so participants in the 60% condition have an added element of favorable information to consider when making their allocation decision, while those in the 70% condition have an added element of unfavorable information to consider. Panel A of Table 10 presents mean allocations to the NFPs with 65% and 75% program ratios, respectively, across all cells in each benchmark context. When participants are told that the program ratio benchmark is 70%, those in the congruent conditions (Near:Concrete and Far:Abstract) allocate significantly more than those in the incongruent conditions ( $p < 0.05$ , one-tailed). Likewise, the same pattern is evident in the Near congruent and incongruent conditions when participants are told that the program ratio benchmark is 60% ( $p < 0.10$ , one-tailed). However, as predicted in H3, those in the 60% benchmark context who are Far allocate more than those who are Near ( $p < 0.01$ , one-tailed).

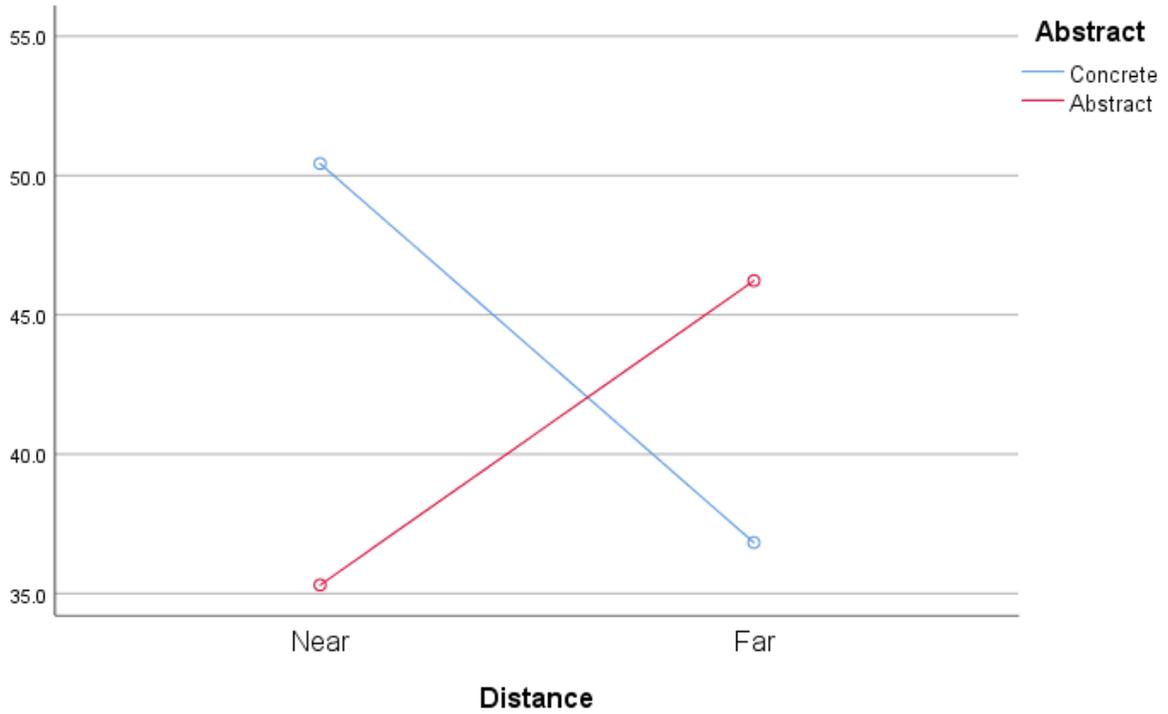
Figure 4 shows the effect that *Distance* has on *Allocations* in each benchmark context. Panel B of Table 10 presents ANCOVA results that test the effects of *Distance* on *Allocations* and how it differs across *Benchmark* and presentation (abstract vs. concrete) conditions, with the variables *Accountability*, *Soc+Hyp*, *Involvement*, and *Board Experience* included as covariates. Results reveal a significant three-way interaction between *Distance*, *Abstract*, and *Benchmark* ( $F_{1,269} = 5.331$ ,  $p = 0.02$ ), indicating that the effects of distance and the presentation of explanatory information are not the same in the different benchmark contexts. Figures 5 and 6 display the effects of distance and concrete or abstract explanatory information in the 70% and 60% benchmark contexts, respectively.

**Figure 4** Effect of *Distance* on *Allocations* in different benchmark contexts

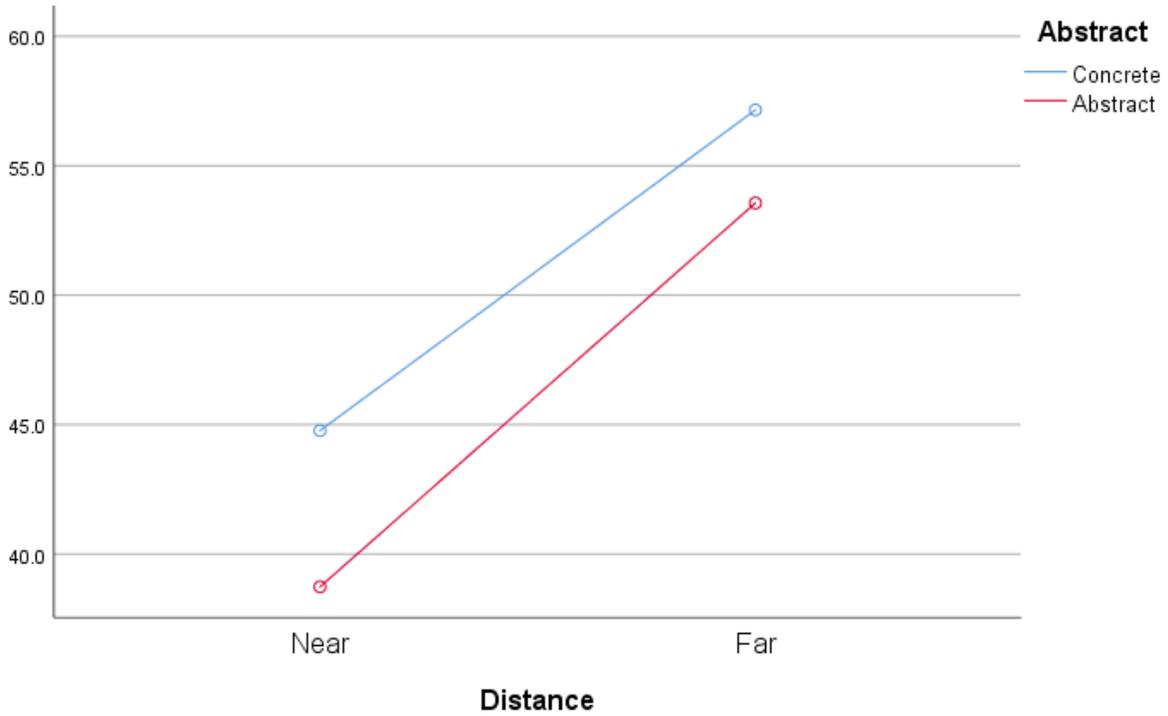


These results warrant a deeper exploration of the separate benchmark contexts due to the significant two-way interactions of *Distance* with *Abstract* and *Benchmark*. To investigate these relationships further, I examine the effects of distance on allocations in the 70% and 60% benchmark contexts, respectively, using the ANCOVA results presented in Panels C and D of Table 10. As when examining the mean allocations, the hypothesized effect of congruence holds true in the 70% benchmark context ( $p$  values  $< 0.05$ , one-tailed), and there is an expected deviation from this pattern in the Far groups in the 60% benchmark context. In the 70% context, the interactive effect of *Distance* and *Abstract* is significant ( $p < 0.01$ , two-tailed), but in the 60% context, *Distance* remains significant while the interaction of *Distance* and *Abstract* has no effect. This indicates, as predicted, that the effects of distance in the 60% benchmark context are different than those in the 70% benchmark context.

**Figure 5** Effects of *Distance* and *Abstract* on *Allocations* in a 70% benchmark context



**Figure 6** Effects of *Distance* and *Abstract* on *Allocations* in a 60% benchmark context



Participants in the 60% benchmark context whose distance is far allocate significantly more to the lower-performing NFP than those whose distance is near ( $p < 0.01$ , one-tailed). Interestingly, the mean of 55 for the Far groups indicates a clear *preference* for the low performer, as the probability that the true mean of those allocations is higher than 50 is greater than 99 percent ( $p = 0.007$ , one tailed). The Far groups also allocate significantly more to the lower-performing NFP than those participants who are in the congruent cells in the 70% benchmark condition ( $p = 0.05$ , two-tailed).

Allocations from participants in the 60% benchmark context whose distance is near align with the predictions of H2, just as those seen in the 70% benchmark context: when explanatory information is congruent with distance, allocations are higher. Allocations from participants in these three congruent cells (Near:Concrete in the 60% context, plus Near:Concrete and Far:Abstract in the 70% context) are not statistically different from one another. Likewise, allocations from participants in the three incongruent cells (Near:Abstract in the 60% context, plus Near:Abstract and Far:Concrete in the 70% context) are not statistically different from one another *or* from the average allocation amounts in the Explanatory Information Comparisons (see Table 4).

Taken together, these results provide for support for H3 and are otherwise consistent with the inferences drawn from tests of H2 regarding the effects of congruence between distance and explanatory information. Information high in desirability (i.e., exceeding a benchmark) is more influential to donors who are far than near. Furthermore, it appears that information low in desirability (i.e., failing to meet a benchmark) does not lead to a significant decline in donations when favorable feasibility information (i.e., explanatory information) is also presented, regardless of the feasibility information's congruence with a donor's psychological distance.

### *Tests of Hypotheses – H4a and H4b*

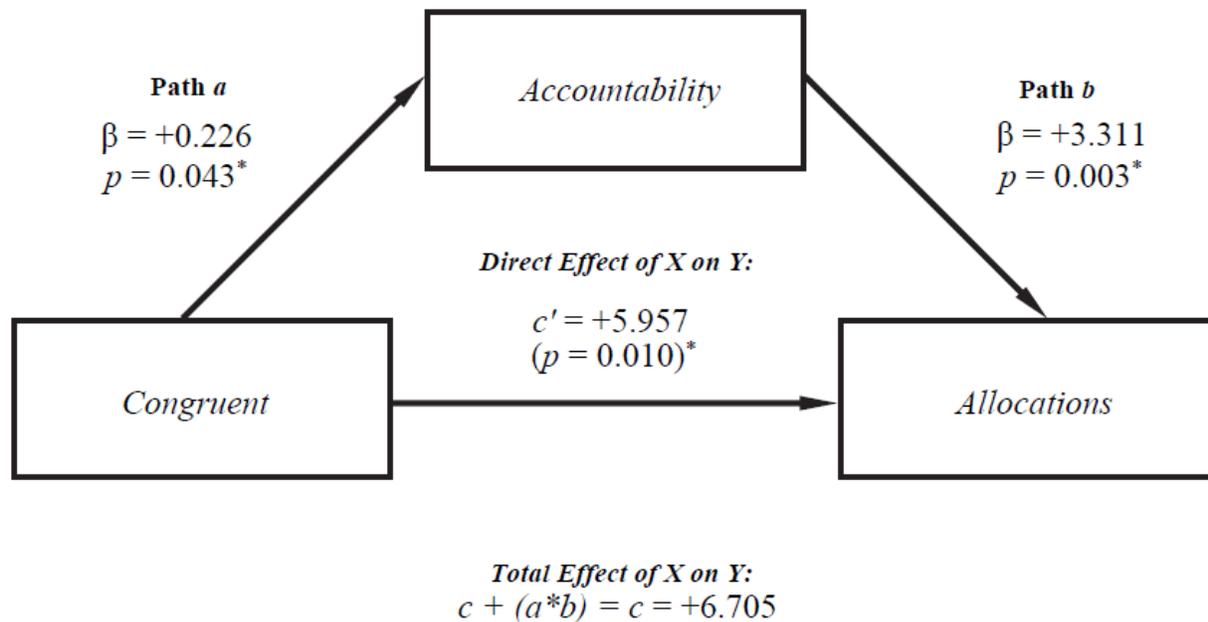
H4a predicts that better (i.e., higher) perceptions of an organization's accountability lead to higher donations, while H4b predicts that congruence of explanatory information with a donor's distance leads to better perceptions of accountability. All regression and ANCOVA results presented in Tables 8, 9, and 10 support H4a's contention that higher perceived accountability is significantly associated with donations, and this effect is evident within the full sample (including baseline the tests) as well as in the separate 60% and 70% benchmark samples (all  $p$  values  $< 0.05$ , one-tailed). Additionally, when *Accountability* is included as a control in the regression results in Tables 8 and 9, the positive effect of congruence on donations remains significant ( $p$  values  $< 0.05$ , one-tailed) for both the full and benchmark-only samples. However, the previous tests do not reveal whether congruence *leads to* better (i.e., higher) perceptions of accountability. Therefore, in order to better understand the path(s) by which congruence affects donations, I use Hayes's (2018) PROCESS analysis tools to test a mediation model with *Accountability* mediating the relationship between *Congruence* and *Allocations*, and *Distance*, *Abstract*, *Benchmark*, *Soc+Hyp*, *Involvement*, and *Board Experience* included as covariates.

Figure 7 shows the partial mediation relationship between the three primary variables and accounts for, but does not show, the effects of the covariates on the entire model. The mediation test described in Hayes (2018) reveals that *Congruence* exerts an effect on *Allocations* both directly via path  $c'$  (effect = 5.96, bootstrapped  $SE = 2.56$ ,  $CI = 0.91, 11.00$ ) and indirectly, via the product of paths  $a$  and  $b$ , through *Accountability* (effect = 0.75, bootstrapped  $SE = 0.57$ ,  $CI = 0.02, 1.84$ ). The relative direct and indirect effects of *Congruent* on *Allocations* are significant at the 95 and 90 percent confidence levels, respectively, thus leading to increased donations on both paths. Together, the direct and indirect effects result in a total effect, denoted by  $c$ , of *Congruent*

on *Allocations* of 6.71. Because H2, H4a, and H4b are directional hypotheses, I report one-tailed  $p$  values in Figure 7.

These results provide support for H4b, as it was not full mediation that was predicted but rather an increase in perceived accountability that leads to higher donations when comparing congruence to incongruence. However, it must be noted that *Accountability* does not fully mediate the relationship between *Congruence* and *Allocations*. Rather, there exists a strong and sizable direct relationship between congruence and donations that is *not* caused by better perceptions of accountability, and the indirect manner in which congruence affects allocations *through* accountability is comparatively small. In other words, congruence does not result in higher allocations solely *because* it increases accountability, but better perceptions of

**Figure 7** Results for mediation analysis – Tests of H4a and H4b



\* Denotes one-tailed  $p$  values.

**Notes:** This figure shows the results of a PROCESS mediation analysis which depicts the relationship between *Congruence*, *Allocations*, and *Accountability*. The positive effect of congruence on allocations is partially mediated by donors' perceptions of an NFP's accountability. This analysis includes the following covariates (not shown): *Distance*, *Abstract*, *Benchmark*, *Soc+Hyp*, *Involvement*, and *Board Experience*.

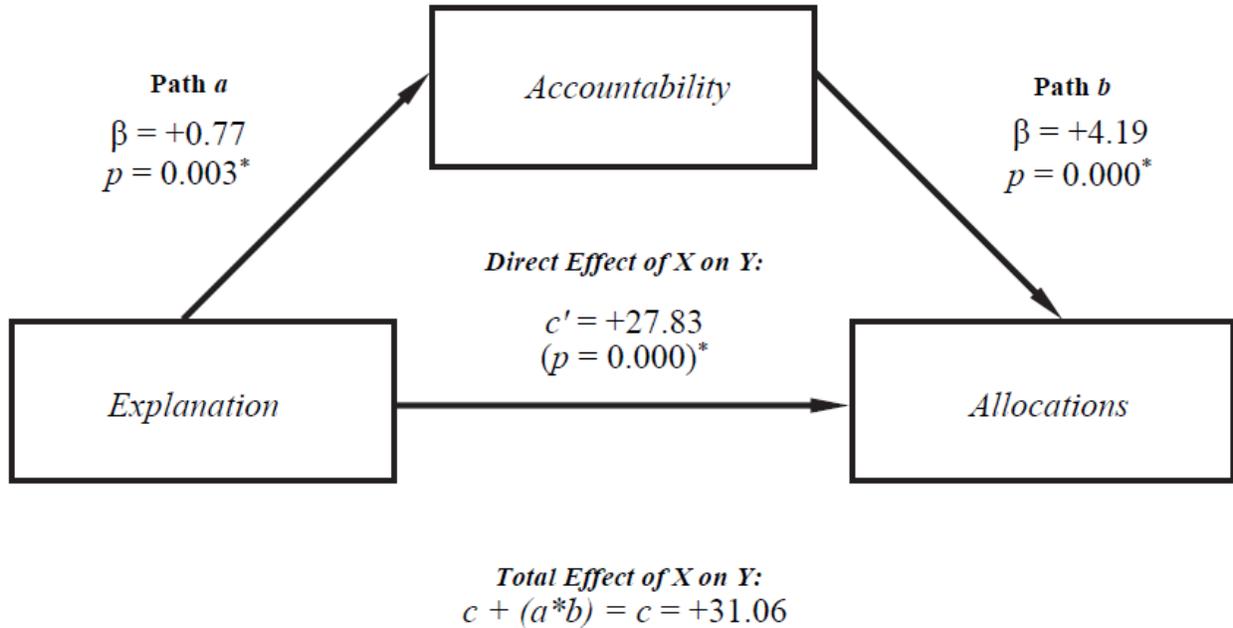
accountability – and as a result, higher donations – are a positive side effect of congruence *in addition to* the direct effect it has on donations.

ANOVA results (untabulated) for means of *Accountability* in the different sample groups reveal significant differences between those who were provided with explanatory information and those who were not, with average accountability scores of 5.25 and 4.63, respectively ( $p < 0.00$ , two-tailed). This indicates that the provision of explanatory information may increase donors' perceived accountability in an NFP. Given that results show *Congruent* has only a small indirect effect on *Allocations* through *Accountability*, I opted to test the PROCESS mediation model again, this time on the full sample (using observations from baseline tests and Experiment 2) with *Explanation* replacing *Congruent* as the dependent variable.

Figure 8 shows the partial mediation relationship between the three primary variables and accounts for, but does not show, the effects of the covariates on the entire model. This mediation test reveals that *Explanation* exerts an effect on *Allocations* both directly via path  $c'$  (effect = 27.83, bootstrapped  $SE = 4.62$ ,  $CI = 18.74, 36.92$ ) and indirectly, via the product of paths  $a$  and  $b$ , through *Accountability* (effect = 3.23, bootstrapped  $SE = 1.32$ ,  $CI = 0.96, 6.16$ ). The direct and indirect effects of *Explanation* on *Allocations* are significant at the 99 percent confidence level, thus leading to increased donations on both paths. Because I did not formally hypothesize that *Explanation* would increase *Allocations* through *Accountability*, I report two-tailed  $p$  values in Figure 8. Together, the direct and indirect effects result in a total effect of *Explanation* on *Allocations*, denoted by  $c$ , of 31.06.

I also tested a moderated mediation model with *Benchmark* moderating the path from *Congruent* to *Accountability*. Results (untabulated) show that *Benchmark* does not have a significant effect on *Accountability*, a finding which is supported by means comparisons,

**Figure 8** Results for additional mediation analysis



\* Denotes two-tailed  $p$  values.

**Notes:** This figure shows the results of a PROCESS mediation analysis which depicts the relationship between *Explanation*, *Allocations*, and *Accountability*. The positive effect of explanatory information on allocations is partially mediated by donors' perceptions of an NFP's accountability. This analysis includes the following covariates (not shown): *Distance*, *Abstract*, *Benchmark*, *Soc+Hyp*, *Involvement*, and *Board Experience*.

displayed in Table 11, which show no statistical difference in overall *Accountability* scores between the 70% and 60% benchmark contexts. However, further investigation of groups within the different contexts reveals that the Far groups in the 60% benchmark context have higher *Accountability* scores than the Far groups in the 70% benchmark context ( $p = 0.05$ , two-tailed). Similarly, the Far:Abstract group in the 60% context has higher *Accountability* scores than the equivalent group in the 70% context ( $p = 0.04$ , two-tailed). Additionally, the Near:Concrete group in the 60% context has higher *Accountability* scores than Near:Abstract groups in the same context ( $p = 0.04$ , two-tailed). Finally, Near groups have higher *Accountability* scores than Far groups in the 70% context ( $p = 0.05$ , two-tailed).

Taken together, it seems that while there are some differences between various cells in *Accountability* scores, better perceptions of accountability do not seem to be the driving force behind the effects of congruence or of explanatory information, in general. Overall, these findings indicate that while better perceptions of accountability do lead to higher donations, explanatory information's influence on donations – whether congruent with distance or not – is not fully explained by better perceptions of accountability. Construal level theory maintains that distance influences construal levels and in turn, behaviors, through an underlying, subconscious process. Although the evidence suggests that congruence of distance and various types of accounting information can result in said information becoming more influential, thus leading to higher donations, it cannot be concluded that the primary reason for this is that the information increases donors' perceptions of accountability. Rather, it seems that increased accountability is a piece of a much larger puzzle when understanding how distance and information interact to influence donors' decisions, and the NFP sector could benefit from future research that further examines these relationships.

#### *Additional Analyses*

The primary manipulation in my experiments involves imposed conditions: participants are provided with near or far distance information and they are shown explanatory information that is presented as more concrete or more abstract. Combinations of these factors lead to either congruence (Near:Concrete or Far:Abstract) or incongruence, which is my primary variable of interest. I include attention check questions related to these items since the congruence aspect of the study hinges on participants being aware of the information that was provided to them, but otherwise I do not have an explicit manipulation check.

My distance manipulations have previously been used in the CLT literature (Fujita et al. 2006; Liberman and Trope 1998), but my presentation manipulations are unique to this study. While it is not practical to ask participants if the experimental setting leads them to think more concretely or abstractly, I do ask a question after the allocation decision has been made designed to gauge whether participants are processing the provided information at a more concrete or abstract level. This question is worded as follows:

Recall that one of the charitable organizations spent more than usual on overhead last year because of technology upgrades. Choose the factor that the charitable organization may have considered to be most important when deciding on the technology upgrades.

- The upgrades are likely to help the organization save money on fees.
- The upgrades are likely to help the organization better serve its charitable cause.

The order of answer choices was randomized among participants. The first answer choice displayed here represents a more concrete, low-level construal while the second answer choice represents a more abstract, high-level construal. No matter which explanation participants were shown, neither mentioned anything about the NFP's charitable cause, or better serving that cause in the future, while both explanations mentioned technology upgrades and saving money on fees. In order to choose the abstract option in this question, participants would have to process information in a way that leads them to be more focused on conceptual, superordinate ideas rather than contextual, subordinate details.

Panel A of Table 12 presents cell sizes, means, and standard deviations for the mean responses to the measured construal question, organized by imposed (spatial and temporal) distance (near and far), presentation of the explanatory information (concrete and abstract), congruence (or not), and benchmark (60% or 70%). Answers are coded 1 for the concrete, low-level response and 2 for the abstract, high-level response.

Panel B of Table 12 presents results from an ANCOVA used to test whether the imposed elements of the main experiment have an effect on the measured construal level. These results indicate that the presentation of the explanatory information (concrete or abstract) is the only imposed variable to have a significant effect on the measured construal question. The mean score for participants who are shown concrete explanatory information is 1.47, and the mean score for those who are shown abstract explanatory information is 1.59 ( $p = 0.049$ ). Although this one question was not intended to be a true manipulation check given that my manipulations are imposed, these results do suggest that the concrete vs. abstract portion of the manipulation likely leads participants to reason at a more concrete or abstract level, respectively.

## CHAPTER 5

### DISCUSSION AND CONCLUSION

This study provides practical insights rooted in theory that relate to the issue of donors' overreliance on spending ratios – specifically the program ratio – when assessing nonprofit performance, which can in turn influence giving decisions. The program ratio is the most commonly used NFP performance metric and is widely known to be positively correlated with contributions (Callen 1994; Callen and Falk 1993; Greenlee and Brown 1999; Parsons et al. 2017; Posnett and Sandler 1989; Tinkelman 1999; Weisbrod and Dominguez 1986). However, the program ratio's usefulness for decision making is problematic because it provides an incomplete measure of performance, and reliance solely on this ratio does not inform users as to the quality or effectiveness of NFP organizations in carrying out their charitable missions (Greenlee and Brown 1999; Hager et al. 2004a; Khumawala and Gordon 1997; Parsons and Trussel 2003; Parsons et al. 2017; Tinkelman and Donabedian 2009).

To address this issue, regulators recommend that NFPs provide explanatory information to aid donors in better understanding financial performance (FASB 1980). Construal level theory suggests that explanatory information will be more influential when its presentation (concrete vs. abstract) is congruent with donors' psychological distance (near vs. far). Through a series of experiments, I show that the negative influence of a low program ratio on donations declines when an NFP provides explanatory information about its ratio, regardless of congruence. I also show that when the explanatory information *is* congruent with donors' distance, it has a greater positive effect on donations than when the information is incongruent.

Importantly, when explanatory information is incongruent with a donor's distance, it does not result in a decline in donations. This is noteworthy because while a practical takeaway from this study is that NFPs can benefit from presenting performance information to donors in a manner that is congruent with their distance, NFPs may not always know if existing or potential donors feel more distant from or proximal to their organization. Knowing that it is unlikely to hurt donations, in relation to incongruence with distance, to provide explanatory information about a low program ratio may encourage organizations to adopt this strategy as they attempt to better communicate past performance and future intentions.

While explanatory information does not change past performance, it can aid donors in better understanding the plans and strategies behind an NFP's spending and in so doing, enable them to focus on different types of information that are perhaps more relevant to their giving decisions. CLT indicates that various types of information influence people differently depending on their psychological distance and the favorable or unfavorable aspects of the information (Liberman and Trope 1998). For example, feasibility factors cause people to be more process-focused and, when favorable, are more influential to those whose psychological distance is near, while desirability factors cause people to be more goal-focused and, when favorable, are more influential to those whose psychological distance is far (Liberman and Trope 1998). The explanatory information in this study provides information related to feasibility: it communicates *how* economic events transpired and *how* they are projected to transpire in the future.

Desirability information is introduced in this study by providing different benchmarks for the program ratio: with a 60% benchmark, the program ratio for both NFPs exceeds the recommended threshold, but with a 70% benchmark, the NFP with the lower program ratio is

now below a minimum expectation. These benchmark conditions add an additional layer of complexity to the experiments because in one scenario, the 60% benchmark provides favorable information about the “low performer” (i.e., it has met its goal) while in the other scenario, the 70% benchmark provides unfavorable information – not only is the NFP with the lower program ratio comparatively worse than the alternative, but now donors are aware that it is worse in relation to minimum standards for the nonprofit sector as a whole.

It is practical and theoretically relevant to examine the effects of providing desirability (goal- or benchmark-related) information because it could lead to a comparatively “low” program ratio being viewed more or less favorably, depending on how that ratio compares to larger goals or objectives. NFP performance objectives, especially those related to charitable mission effectiveness or accomplishment, are often difficult to define and subsequently measure – hence donors’ tendency to place undue focus on easy-to-obtain but missionally uninformative calculations like the program ratio. Because of these difficulties, and because it is common to assess various types of performance in terms of benchmarking, donors tend to give more to NFPs that perform better than their peers in terms of accounting performance, as evidenced by the strong association between donations and high program ratios (Callen 1994; Callen and Falk 1993; Posnett and Sandler 1989; Tinkelman 1999; Weisbrod and Dominguez 1986).

Liberman and Trope (1998) find that favorable desirability factors are more influential to individuals whose distance is far, while unfavorable desirability factors are more influential to those whose distance is near. Similarly, I find that donors whose distance is far donate more in the 60% (favorable desirability) context than in the 70% (unfavorable desirability) context, and that the latter group does not seem to penalize the lower-performing NFP because of the seemingly negative benchmark information. This is evidenced by donations from the 70%-Far

groups being statistically the same as donations from those in the Explanatory Information tests (see Table 4) as well as from those in the congruent (Near:Concrete) group in the 60% benchmark context.

This project differs from Liberman and Trope's (1998) study by presenting feasibility information (i.e., explanatory information about the program ratio) both concretely and abstractly, which leads donors in the near (far) distance conditions to donate more when they are given a concrete (abstract) explanation. I show that rather than feasibility information generally having greater influence on those who are near, as it did in Liberman and Trope (1998), it is possible to present feasibility information using concrete *or* abstract language, thus causing this type of information to be more or less influential to individuals based on their proximity to or distance from a situation.

This last finding is especially useful for NFP organizations that rely on funding from sources who are not near to the organization. Gordon and Khumawala's (1999) Model of Individual Giving shows that the people most likely to rely on accounting information in their giving decisions are those who do not have direct experience with an organization or its beneficiaries – or in the words of construal level theory, those who are psychologically distant. Prior to combining the congruence aspects of CLT with the knowledge of how desirability and feasibility considerations influence people relative to their distance, as I do in this project, the implications of CLT for NFPs wanting to better communicate accounting performance information to donors might consist of only a focus on favorable desirability factors. However, if an organization is or has not been meeting its goals, or if it has no relevant or informative benchmarking standards for the information it wishes to communicate, results from this study imply that favorable feasibility (rather than desirability) factors can be communicated more

abstractly (as opposed to more concretely) in order to have a higher likelihood of being influential to potential donors who are distant from the organization.

Results from this study should be informative to both providers and regulators of nonprofit accounting information. NFPs can use this information to enhance their communications strategies by relaying information – accounting or otherwise – to donors whose contexts are near (far) to the organization in more concrete (abstract) terms. Similarly, as it is more desirable for an organization to exceed a performance benchmark than to fall below an expected threshold, NFPs may benefit from communicating benchmark information to donors when it casts the organization in a favorable light. They may also benefit from comparing their performance to competing organizations that missed a benchmark, especially with those donors (or potential donors) who are presumed to be more distant.<sup>19</sup> Regulators can use this information to design policies and advocate for regulations that encourage NFPs to provide various types of accounting information that are relevant to and useful for decision-makers.

This leads to some important limitations of the study that must be mentioned. First, the experiments do not involve donating real money. While careful consideration was taken to place participants in a realistic situation in which it makes sense for the donation to be framed as a percentage-allocation decision, it is possible that participants do not treat hypothetical giving decisions with the same import they would if real money was involved. Second, the charities in the experiments were not associated with a specific mission. Much charitable giving is based, at least in part, on having a personal connection to a cause or concern, so the influence of different types of accounting information may differ for NFPs according to how donors feel about their mission.

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<sup>19</sup> As charitable organizations exist to advance their charitable mission, it may not be advisable for NFPs to position themselves as “competing” with other charitable organizations, especially those that aim to advance the same cause.

Third, the explanatory information provided in the experiments references costs related to both administrative and fundraising efforts. It is possible that different types of spending – and their potential benefits to the organization – will influence donors differently. For example, if an NFP tells donors its program ratio is low because they hired a new executive director with impressive credentials and an abundance of vision for the future, donors may respond negatively if, as evidence suggests, they believe NFP employees should be paid less than their equivalent counterparts in the for-profit sector (Balsam and Harris 2014).

Finally, I provided several pieces of performance-related information to participants in this study, but donors often have access to a wide-ranging amount of information that may or may not influence giving decisions. I specifically examined how explanatory information and performance benchmarks affect the influence of a low program ratio, but this context is not relevant to all NFPs, and when it is relevant, donors likely have – or can get – more information.

As evidenced by my experimental results, congruence of explanatory information with a donor's psychological distance may enhance the positive influence of that information, thereby causing the negative influence of a low program ratio to decline. However, while this is an encouraging takeaway, the objective of this study is not to suggest doing away with the program ratio as an NFP performance measure so much as it is to examine the influence of additional *types* of performance information relative to donors' psychological distance (which may not always be readily determined). The program ratio is simply the default standard by which NFP performance is commonly assessed today, and this is likely to remain the case barring any significant changes to NFP accounting standards or methods available for organizations to measure and communicate their activities. However, my study shows that there are ways to communicate accounting information in such a way that different factors become influential.

By definition, accounting information measures and reports economic events that happened in the past, and when this information is presented to users, it can be communicated in terms of both the process by which those events transpired and are likely to transpire in the future (feasibility), and by the accomplishment – or not – of goals and objectives (desirability). Tinkelman and Mankaney (2007) contend that “donors only react to accounting disclosures that are ‘decision useful’” (p.43). Presently, donors react to program ratios. However, if the ultimate performance objectives of *mission accomplishment and effectiveness* are ever to be properly measured, communicated, and understood by donors, it is imperative that practitioners, regulators, and researchers continue to push the NFP sector forward by examining the contexts in which donors find different types of accounting information more useful and informative to their giving decisions.

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## Appendix A IRB Certification

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Office of the Vice President for  
Research & Economic Development  
Office for Research Compliance

September 30, 2019

Julie Mercado  
School of Accountancy  
College of Commerce & Business Admin.  
Box 870220

Re: IRB # EX-19-CM-223: "Donors, Distance, and the Influence of Accounting Information"

Dear Ms. Mercado,

The University of Alabama Institutional Review Board has granted approval for your proposed research. Your application has been given exempt approval according to 45 CFR part 46. Approval has been given under exempt review category 2 as outlined below:

*(2) Research that only includes interactions involving educational tests (cognitive, diagnostic, aptitude, achievement), survey procedures, interview procedures, or observation of public behavior (including visual or auditory recording) if at least one of the following criteria is met:*

*(i) The information obtained is recorded by the investigator in such a manner that the identity of the human subjects cannot readily be ascertained, directly or through identifiers linked to the subjects.*

The approval for your application will lapse on September 29, 2020. If your research will continue beyond this date, please submit the annual report to the IRB as required by University policy before the lapse. Please note, any modifications made in research design, methodology, or procedures must be submitted to and approved by the IRB before implementation. Please submit a final report form when the study is complete.

Sincerely,

Carpantato T. Myles, MSM, CIM, CIP  
Director & Research Compliance Officer

## **Appendix B** Experiment 1

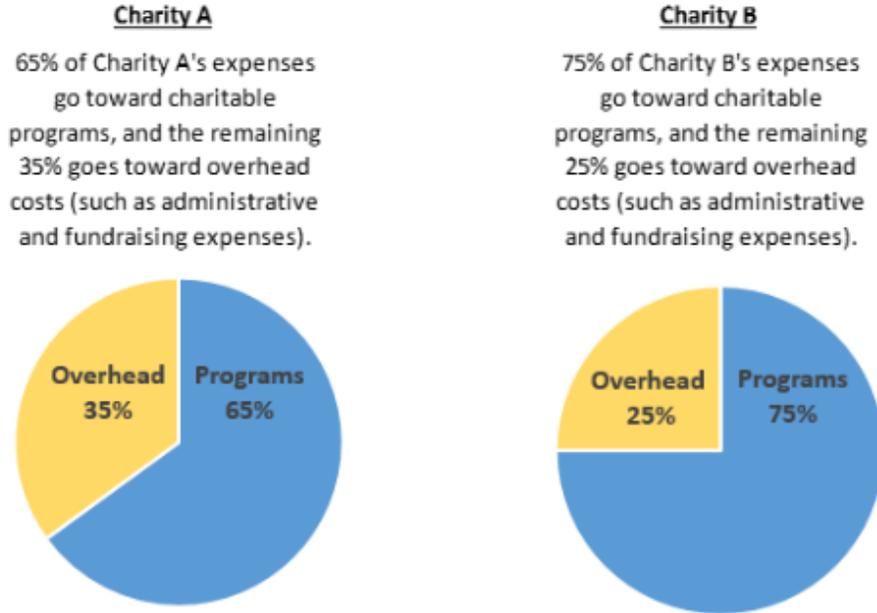
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Appendix B contains materials related to Experiment 1, which was designed to test a potential manipulation of social distance. Items in this appendix include examples of the three manipulated conditions (self, near other, far other) and the questions from the Behavioral Identification Form (BIF) (Vallacher and Wegner 1989).

**Appendix B: Figure B.1 “Self” Condition**

**(Low program ratio NFP 1<sup>st</sup>)\***

Imagine that you wish to donate a certain amount of funds to charity but have not yet selected any specific organizations. Two organizations have been found that support a cause that is important to you. Information for the two organizations is provided below:



Please decide what percentage of the charitable donation, if any, should be given to each organization. (Total must sum to 100%).

Charity A	<input type="text" value="0"/> %
Charity B	<input type="text" value="0"/> %
Total	<input type="text" value="0"/> %

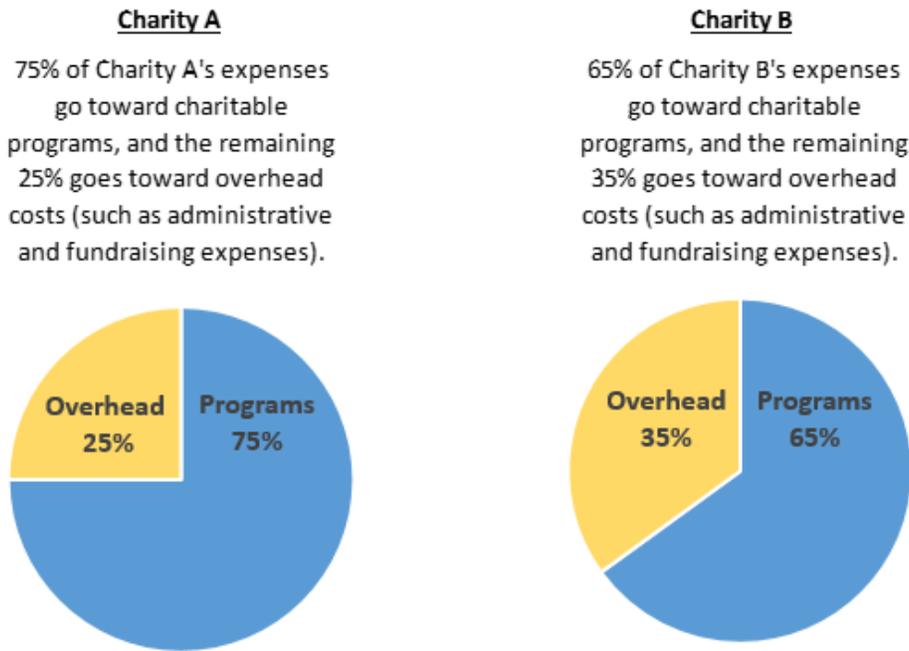
\* Yellow highlighted portion not shown to participants.

**Appendix B: Figure B.2 “Near Other” Condition (Relative)**

**(Low program ratio NFP 2<sup>nd</sup>)\***

Imagine that you have been contacted by the attorney handling the estate for a deceased relative with whom you were very close. The attorney informs you that your relative wished to donate a certain amount of funds to charity but had not selected any specific organizations. The cause that your relative wanted to support was made known to the attorney, and two organizations have been found that support that cause.

As the closest “next of kin” to your relative, the attorney has asked that you decide what percentage of the charitable donation, if any, should be given to each organization. Information for the two organizations is provided below:



Please decide what percentage of the charitable donation, if any, should be given to each organization. (Total must sum to 100%).

Charity A	<input style="width: 40px;" type="text" value="0"/> %
Charity B	<input style="width: 40px;" type="text" value="0"/> %
Total	<input style="width: 40px;" type="text" value="0"/> %

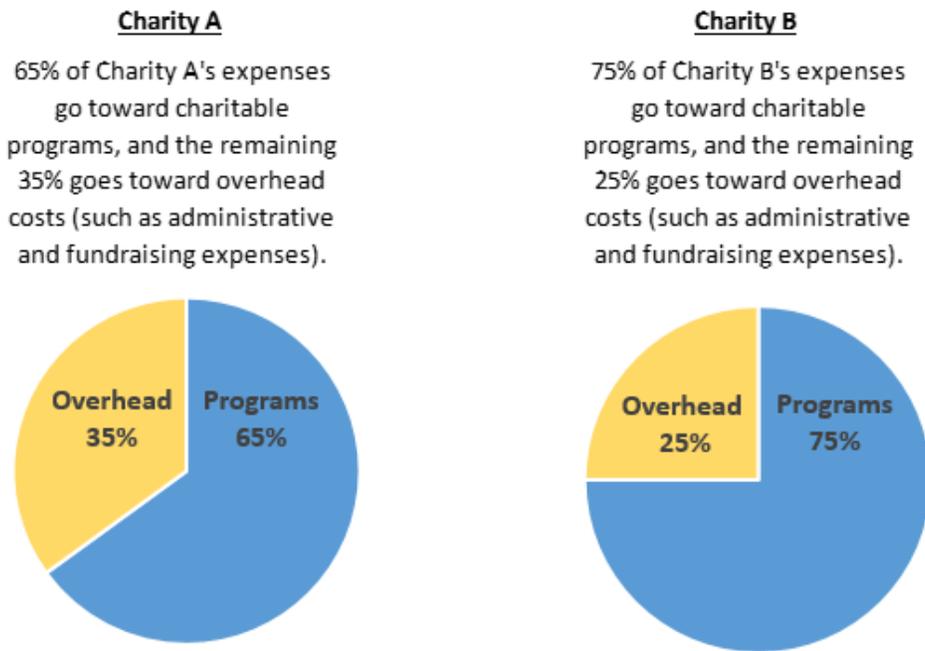
\* Yellow highlighted portion not shown to participants.

**Appendix B: Figure B.3 “Far Other” Condition (Client)**

**(Low program ratio NFP 1<sup>st</sup>)\***

Imagine that you work for an attorney who is handling the estate for a deceased client whom you did not know. The attorney informs you that this client wished to donate a certain amount of funds to charity but had not selected any specific organizations. However, the specific cause that the client wanted to support was made known to the attorney, and two organizations have been found that support that cause.

The attorney has asked that you decide what percentage of the charitable donation, if any, should be given to each organization. Information for the two organizations is provided below:



Please decide what percentage of the charitable donation, if any, should be given to each organization. (Total must sum to 100%).

Charity A	<input type="text" value="0"/> %
Charity B	<input type="text" value="0"/> %
Total	<input type="text" value="0"/> %

\* Yellow highlighted portion not shown to participants.

## Appendix B: Figure B.4 Behavioral Identification Form<sup>20</sup> (BIF)

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For each of the following, choose the item that best describes the behavior.

1. Making a list
  - Getting organized\*
  - Writing things down
2. Reading
  - Following lines of print
  - Gaining knowledge\*
3. Joining the Army
  - Helping the Nation's defense\*
  - Signing up
4. Washing clothes
  - Removing odors from clothes\*
  - Putting clothes into the machine
5. Picking an apple
  - Getting something to eat\*
  - Pulling an apple off a branch
6. Chopping down a tree
  - Wielding an axe
  - Getting firewood\*
7. Measuring a room for carpeting
  - Getting ready to remodel\*
  - Using a yard stick
8. Cleaning the house
  - Showing one's cleanliness\*
  - Vacuuming the floor
9. Painting a room
  - Applying brush strokes
  - Making the room look fresh\*
10. Paying the rent
  - Maintaining a place to live\*
  - Writing a check
11. Caring for houseplants
  - Watering plants
  - Making the room look nice\*
12. Locking a door
  - Putting a key in the lock
  - Securing the house\*
13. Voting
  - Influencing the election\*
  - Marking a ballot
14. Climbing a tree
  - Getting a good view\*
  - Holding on to branches
15. Filling out a personality test
  - Answering questions
  - Revealing what you're like\*
16. Toothbrushing
  - Preventing tooth decay\*
  - Moving a brush around in one's mouth
17. Taking a test
  - Answering questions
  - Showing one's knowledge\*
18. Greeting someone
  - Saying hello
  - Showing friendliness\*
19. Resisting temptation
  - Saying "no"
  - Showing moral courage\*
20. Eating
  - Getting nutrition\*
  - Chewing and swallowing
21. Growing a garden
  - Planting seeds
  - Getting fresh vegetables\*
22. Traveling by car
  - Following a map
  - Seeing countryside\*
23. Having a cavity filled
  - Protecting your teeth\*
  - Going to the dentist
24. Talking to a child
  - Teaching a child something\*
  - Using simple words
25. Pushing a doorbell
  - Moving a finger
  - Seeing if someone's home\*

\* Higher construal-level alternative.

**Total score is the sum of higher-level alternative choices.**

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<sup>20</sup> From Vallacher and Wegner (1989).

## **Appendix C** Experiment 2

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Appendix C contains materials related to Experiment 2, which was designed to test all hypotheses. Items in this appendix include instructions for participants, examples of the two benchmark conditions (70% and 60%), examples of the two distance conditions (near and far), examples of two versions of explanatory information (concrete and abstract), examples of attention check questions, and examples of the questions used to assess participants' reasons for allocating funds to the NFP with the lower program ratio.

## Appendix C: Figure C.1 Instructions and Task Description

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### *Page 1*

On the following page, you will be presented with a scenario that describes a task with which you might be asked to be involved at work. Please read the information carefully so that you understand the nature of the task.

On the page after that, you will be provided with additional information pertaining to the task. You should also read that information carefully.

### *Page 2*

Imagine that you have been selected to serve on a committee at work that makes giving decisions for your employer's charitable foundation. The committee has agreed to support a charitable cause that is expected to have an “immediate impact in your local community” (*Near condition*) **OR** “impact over the next few years in a foreign country” (*Far condition*).

The committee has not yet decided how to allocate its funds among organizations. The following page will provide you with information related to the giving decision.

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**Notes:** Pages 1 and 2 are identical for the 70% benchmark and 60% benchmark contexts. The distance information on Page 2, highlighted in yellow (Near) and green (Far), always matches the distance information shown on Page 3 in both the organizational comparison and in the text italicized immediately prior to the allocation instructions.

On Page 3, the order in which the two organizations are presented is randomized to control for potential order effects. Some participants saw the charity with the lower (65%) program ratio (PR) presented as Charity A, while other participants saw it presented as Charity B.

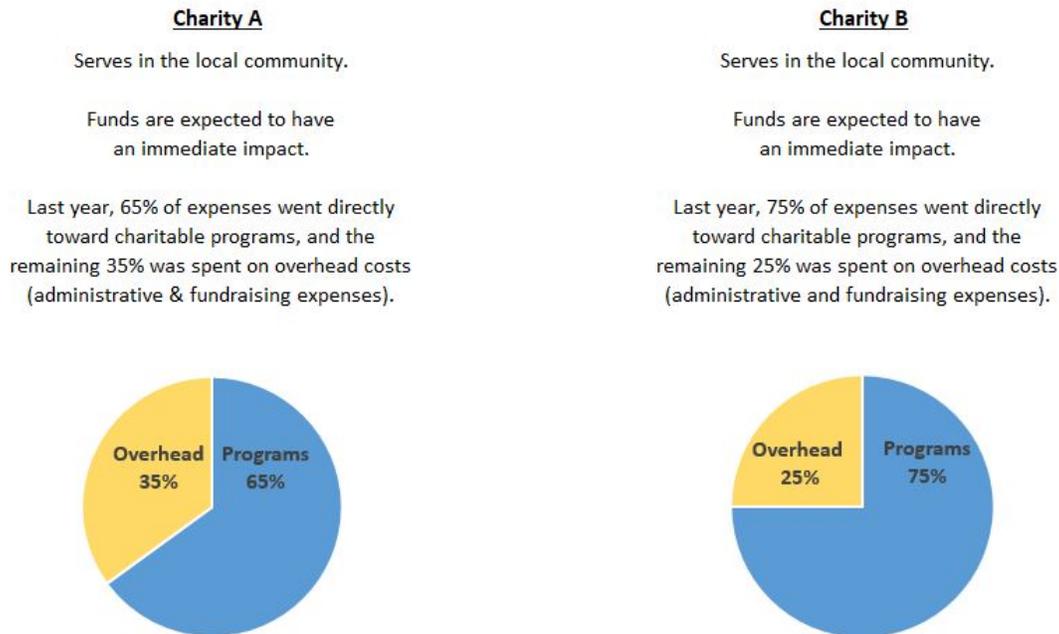
The following examples include both of the “congruent” conditions, represented by a Near:Concrete pairing in the 70% benchmark context and a Far:Abstract pairing in the 60% benchmark context. Incongruent pairings (not shown) pair either Near:Abstract or Far:Concrete, and all else is equivalent to the examples shown here.

**Appendix C: Figure C.2 70% Benchmark Context**

Page 3

(Low program ratio NFP 1<sup>st</sup>; Congruent → near distance & concrete explanation)\*

The committee has identified two organizations that support the charitable cause previously agreed upon. Information for the two organizations is provided below:



Charitable ratings agencies suggest that a minimum of 70% of expenses be spent on programs.

Last year, Charity A spent more than usual on overhead because it paid for technology upgrades expected to make more funds available for future program spending by decreasing costs and increasing revenues. Specifically, it signed agreements with all major credit card companies to automate payment processing and cut transaction fees by \$100,000 annually. Automation will simplify the giving process by enabling recurring monthly giving, which should result in 33% more first-time givers making a repeat gift.

*Recall that the committee has agreed to support a charitable cause that is expected to have an immediate impact in your local community. Please decide what percentage of the charitable donation, if any, should be given to each organization. (Total must sum to 100%).*

Charity A	<input type="text" value="0"/> %
Charity B	<input type="text" value="0"/> %
Total	<input type="text" value="0"/> %

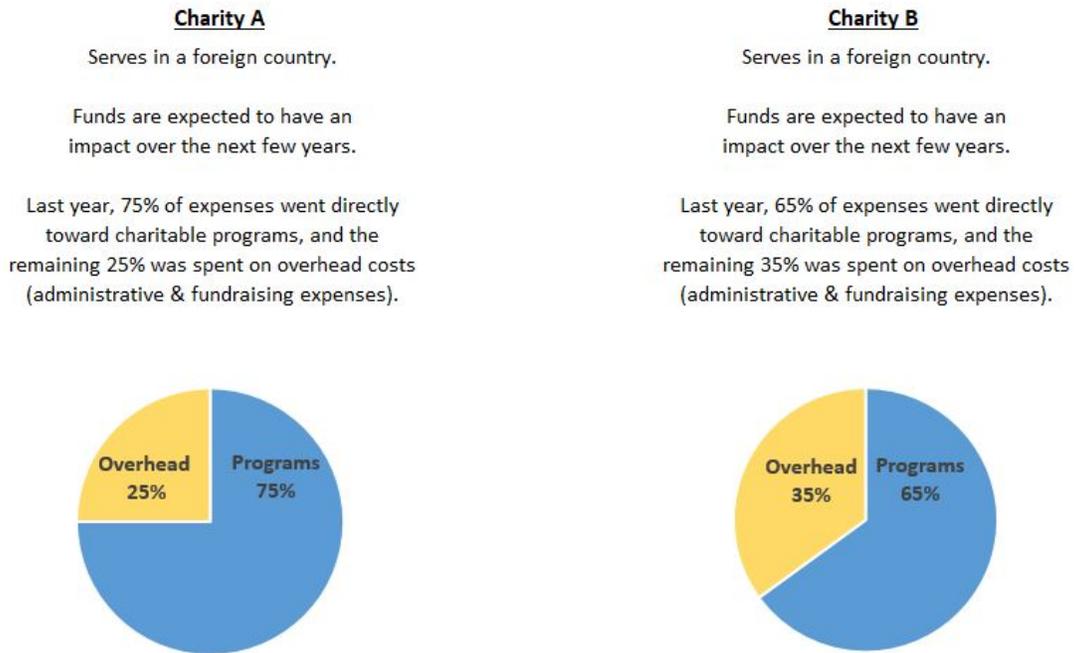
\* Yellow highlighted portion not shown to participants.

**Appendix C: Figure C.3 60% Benchmark Context**

Page 3

Low program ratio NFP 2<sup>nd</sup>; Congruent → far distance & abstract explanation)\*

The committee has identified two organizations that support the charitable cause previously decided upon. Information for the two organizations is provided below:



Charitable ratings agencies suggest that a minimum of 60% of expenses be spent on programs.

Last year, Charity B spent more than usual on overhead due to an investment in technology upgrades that is expected to increase future program spending. It entered into strategic partnerships with major financial services institutions to automate processes and cut fees. Automation will simplify the giving process, which should result in greater financial support.

*Recall that the committee has agreed to support a charitable cause that is expected to have an impact over the next few years in a foreign country. Please decide what percentage of the charitable donation, if any, should be given to each organization. (Total must sum to 100%).*

Charity A	<input type="text" value="0"/> %
Charity B	<input type="text" value="0"/> %
<b>Total</b>	<input type="text" value="0"/> %

\* Yellow highlighted portion not shown to participants.

## Appendix C: Figure C.4 Attention Check Questions

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Please describe at least two (2) possible reasons a person might choose to donate to a charitable organization.

1.

Please describe at least two (2) possible reasons a person might choose NOT to donate to a charitable organization.

2.

3. Where do the identified charities serve?\*

- A foreign country
- Your local community
- Not specified

4. For whom were you asked to make a charitable allocation decision?\*

- A relative
- A client
- Your employer
- Yourself

5. What is the primary difference between Charity A and Charity B?\*

- They have different missions/ causes
- A different percentage of expenses is spent on programs and overhead.
- There is no difference.
- They serve in different locations.

---

\* Order of answer choices was randomized. Participants had the option to return to the previous (main experiment) screen before proceeding past this page, at which point they could not return.

**Appendix C: Figure C.5** Reasons for Allocation Decisions

Please indicate your agreement with each of the following statements as they relate to your decision to allocate any funds to the organization **with the lower program ratio**. (If something did not affect your decision, rank the item as “strongly disagree”).\*

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
The organization seems to be honest and truthful.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The organization is stewarding its resources appropriately.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The organization can be counted on to accomplish its mission.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The organization is primarily interested in the welfare of others.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The organization seems relatively equal to the alternative.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The organization's overhead spending is relatively low.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The organization's program spending is relatively high.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The organization is likely to have higher program spending in the future.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The organization meets the committee's desired requirements for service in the local community.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The organization meets the committee's desired requirements for making an immediate impact.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The organization's program ratio of 65% exceeds the suggested benchmark of 60%.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The organization is likely to have lower overhead spending in the future.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

\* The first four statements were adapted from the Dyadic Trust Scale (DTS) (Larzelere and Huston 1980; Mayer, Davis, and Schoorman 1995; Morgan and Hunt 1994). Statements 9, 10, and 11 are specific to the participant's assigned distance and benchmark conditions. Items shown here are for near distance (statements 9 and 10) and a 60% benchmark. Order of statement presentation was randomized.

**Table 1** Variable Definitions

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<i>Abstract</i>	= Presentation of explanatory information. Coded 1 if abstract, 0 if Concrete, or -1 if explanatory information was not provided (“-1” is only an option in the baseline tests).
<i>Accountability</i>	= Perceived accountability. This is an average score based on participants’ responses to four questions (see Appendix B) adapted from the Dyadic Trust Scale. Responses are scored on a 7-point Likert scale, with higher scores indicating higher levels of the lower-performing NFP’s perceived accountability.
<i>Allocations</i>	= Donation allocations to the NFP with the 65% program ratio, ranging from 0 to 100 percent.
<i>Benchmark</i>	= Suggested program ratio benchmark. Coded 1 if 60%, 0 if 70%, or -1 if a benchmark was not provided (“-1” is only an option in the baseline tests).
<i>Board Experience</i>	= Current or previous experience as a member of the board of directors of an NFP organization. Coded 1 for experience, otherwise 0.
<i>Congruent</i>	= Congruence of explanatory information with distance, whether concrete:near or abstract:far. Coded 1 if congruent, 0 if incongruent, and -1 if explanatory information was not provided (“-1” is only an option in the baseline tests).
<i>Distance</i>	= Psychological distance. Coded 1 if far, 0 if near, or -1 if distance was not provided (“-1” is only an option in the baseline tests).
<i>Explanation</i>	= Explanatory information. Coded 1 if provided (for all those in Experiment 2) and 0 if not provided (for those in baseline tests).
<i>Involvement</i>	= Current or previous involvement with an NFP organization. Coded 0 if no involvement, 1 if volunteer experience, 2 if ever employed, 3 if ever employed <i>and</i> volunteer experience.
<i>Soc+Hyp</i>	= Social & Hypothetical distance. This is an average score based on participants’ responses to four questions (see Table 5) designed to measure their relative feelings of proximity to or distance from their employer and the charitable decision in the study. Responses are scored on a 7-point Likert scale, with higher (lower) scores indicating proximity (distance).

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**Table 2** MANOVA Results for Experiment 1*MANOVA results for test of social distance on Allocations, BIF and Similarity scores*

<i>Dependent variable</i>	<i>df</i>	<i>df</i> error	<i>F</i>	Distance	Means	<u>95% Confidence Interval</u>	
						Lower Bound	Upper Bound
Allocations	1	47	1.72	Self	17.5	9.52	25.48
				Near other	28.25	18.12	38.38
				Far other	19.00	9.07	28.93
BIF score *	1	47	0.76	Self	16.75	14.13	19.37
				Near other	17.92	14.89	20.94
				Far other	16.08	13.11	19.05
Similarity to self**	1	47	1.07	Near other	5.83	4.71	6.95
				Far other	6.64	5.54	7.74

\* BIF (Behavioral Identification Form) scores range from 0-25, with higher scores indicating higher-level (abstract) construals.

\*\* Similarity to self scores range from 0-10, with higher scores indicating higher similarity to self.

**Table 3** Results for Baseline Tests*Panel A Means (standard deviations) for baseline allocations with one or no manipulations*


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<b>Distance</b>	<b>Benchmark</b>	<b>Mean (Standard Deviation)</b>
<b>None</b>	<b>None</b>	14.2 (13.29) <i>n</i> = 12
<b>Near</b>	-	30.3* (20.29) <i>n</i> = 16
<b>Far</b>	-	13.4 (17.96) <i>n</i> = 16
-	<b>60%</b>	25.8* (19.64) <i>n</i> = 12
-	<b>70%</b>	13.0 (14.76) <i>n</i> = 10

---

\* Not different statistically, and higher than all other tabulated means in this table (all *p* values < 0.05, one-tailed).

*Notes:* Participants in the baseline tests did not receive any explanatory information. Allocations range from 0 to 100 percent (e.g., a mean of 17.5 indicates that 17.5% of an undefined total was allocated to the NFP with the 65% program ratio, and 82.5% was allocated to the NFP with the 75% program ratio).

*Panel B Means (standard deviations) for baseline allocations with multiple manipulations*


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<b>Distance</b>	<b>Benchmark</b>	<b>Mean (Standard Deviation)</b>
<b>Near</b>	<b>60%</b>	14.5 (20.29) <i>n</i> = 10
<b>Near</b>	<b>70%</b>	15.7* (17.96) <i>n</i> = 15
<b>Far</b>	<b>60%</b>	20.1** (19.64) <i>n</i> = 12
<b>Far</b>	<b>70%</b>	7.7*,** (14.76) <i>n</i> = 11

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\* Statistically different at *p* = 0.10 (one-tailed).

\*\* Statistically different at *p* = 0.06 (one-tailed).

**Table 3 (cont'd)** Results for Baseline Tests

*Panel C Means (standard deviations) for baseline allocations, totals by manipulation*

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	<b>Mean (Standard Deviation)</b>
<b>All Near</b>	21.1* (19.12) <i>n = 41</i>
<b>All Far</b>	13.9* (18.49) <i>n = 39</i>
<b>All 60%</b>	20.5** (19.52) <i>n = 34</i>
<b>All 70%</b>	12.5** (15.33) <i>n = 36</i>
<b>All Combined</b>	17.7 (18.33) <i>n = 114</i>

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\* Statistically different at  $p < 0.05$  (one-tailed).

\*\* Statistically different at  $p < 0.05$  (one-tailed).

**Table 4** Descriptive Statistics for Explanatory Information Comparisons

*Means (standard deviations) for allocations to the NFP with the lower program ratio*

<b>Means (Standard Deviations)</b>			
	Concrete	Abstract	Row Total
70% benchmark	40 (30.17) <i>n = 16</i>	38.1 (21.01) <i>n = 18</i>	39.0 (25.34) <i>n = 34</i>
60% benchmark	39.2 (17.74) <i>n = 19</i>	34.6 (19.66) <i>n = 14</i>	37.3 (18.42) <i>n = 33</i>
Column Total	39.6 (23.84) <i>n = 35</i>	36.6 (20.18) <i>n = 32</i>	38.1 (22.1) <i>n = 67</i>

**Notes:** Allocations range from 0 to 100 percent. Means are not statistically different for concrete versus abstract explanations within or between benchmark groups.

**Table 5** Factor Analysis Results for Social and Hypothetical Distance*Panel A Means (standard deviations) for measured distance questions in Experiment 2*

<u>Measured Distance Questions</u>	<u>Imposed Distance Groups</u>	
	Near ( <i>n</i> = 136) <sup>a</sup>	Far ( <i>n</i> = 145) <sup>b</sup>
<i>To measure social distance from employer:</i>		
Q1: How likely are you to spend the rest of your career in your present job?	4.12 (2.25)	4.64 (1.97)
Q2: Imagine you are interested in pursuing a job in the industry you work in currently. How likely is it that you would apply for a	5.13 (1.57)	5.25 (1.51)
<i>To measure hypothetical distance from scenario presented:</i>		
Q3: How strongly (or weakly) do you relate to making a decision similar to the one faced by the committee members in this survey?	4.26 (1.73)	4.42 (1.67)
Q4: How likely is it that you might ever serve on a committee (like the one in this survey) that makes decisions for charitable donations?	4.04 (1.81)	3.90 (1.80)
<i>To measure relative importance of imposed distance:</i>		
Q5: How relevant was the committee's preference for [immediate impact in the local community] [impact over the next few years in a foreign country] to you?	5.79* (1.24)	4.81* (1.53)

<sup>a</sup> The sample size for Q1 in the Near groups is 114 due to non-responses.<sup>b</sup> The sample size for Q1 in the Far groups is 121 due to non-responses.

\* Indicates statistical significance at the 0.01 level (two-tailed).

*Notes:* Answers to all questions are scored on a 7-point Likert scale. Anchors are “Very unlikely” and “Very likely” for Q1 and Q2; “Very weakly” and “Very strongly” for Q3, and “Very irrelevant” and “Very relevant” for Q4 and Q5.

*Panel B Principal component factors*

<u>Factor</u>	<u>Eigenvalue</u>	<u>Explained Variance %</u>	<u>Cumulative Explained Variance %</u>
1	2.39	47.69	47.69
2	1.23	24.49	72.19
3	0.67	13.44	85.63
4	0.39	7.70	93.32
5	0.33	6.68	100.00

**Table 5 (cont'd)** Factor Analysis Results for Social and Hypothetical Distance*Panel C* Factor loadings for social and hypothetical distance

<b>Question</b>	<b>Factor 1 Social distance</b>	<b>Factor 2 Hypothetical distance</b>
Q1	0.22	0.77
Q2	0.14	0.76
Q3	0.80	0.21
Q4	0.79	0.16

*Panel D* Means (standard deviations) for measured distance variable Soc+Hyp

	<b>Distance</b>		<b>Presentation</b>		<b>Congruent</b>		<b>Benchmark</b>
<b>Near</b>	4.40 (1.40) <i>n</i> = 136	<b>Concrete</b>	4.49 (1.30) <i>n</i> = 140	<b>Yes</b>	4.34 (1.34) <i>n</i> = 149	<b>60%</b>	4.37 (1.34) <i>n</i> = 148
<b>Far</b>	4.54 (1.23) <i>n</i> = 145	<b>Abstract</b>	4.46 (1.33) <i>n</i> = 141	<b>No</b>	4.62 (1.27) <i>n</i> = 132	<b>70%</b>	4.58 (1.28) <i>n</i> = 133

**Table 6** Descriptive Statistics for Baseline Tests and Experiment 2

---

	N	Minimum	Maximum	Mean	Standard Deviation
<b>Baseline Tests sample</b>					
<i>Allocations</i>	114	0	75	17.68	18.33
<i>Distance: Far</i>	114	-1	1	0.04	0.80
<i>Benchmark</i>	114	-1	1	-0.09	0.83
<i>Accountability</i>	113	1	7	4.64	1.30
<i>Soc+Hyp</i>	114	1.5	7	4.17	1.24
<i>Involvement</i>	112	0	3	0.77	0.90
<i>Board Experience</i>	112	0	1	0.03	0.16
<b>Experiment 2 sample</b>					
<i>Allocations</i>	283	0	100	46.11	22.23
<i>Distance: Far</i>	283	0	1	0.52	0.50
<i>Presentation: Abstract</i>	283	0	1	0.51	0.50
<i>Congruent</i>	283	0	1	0.53	0.50
<i>Benchmark</i>	283	0	1	0.52	0.50
<i>Accountability</i>	281	1	7	5.25	1.13
<i>Soc+Hyp</i>	281	1.5	7	4.47	1.31
<i>Involvement</i>	281	0	3	0.74	0.88
<i>Board Experience</i>	281	0	1	0.06	0.23

---

*Notes:* Reported allocations are for the NFP with the low program ratio. See Table 1 for variable definitions.

**Table 7** Correlation Tables*Panel A* Correlations among variables from the combined sample (baseline tests plus Experiment 2)

<b>Variables</b>	<i>Allocations</i>	<i>Explanation</i>	<i>Distance</i>	<i>Benchmark</i>	<i>Accountability</i>	<i>Soc+Hyp</i>	<i>Involvement</i>	<i>Board Experience</i>
<i>Allocations</i>		0.534**	0.218**	0.285**	0.355**	0.121*	0.039	0.102*
<i>Explanation</i>	0.534**		0.280**	0.353**	0.226**	0.104*	-0.017	0.063
<i>Distance</i>	0.218**	0.280**		0.102*	0.022	0.025	0.033	0.041
<i>Benchmark</i>	0.285**	0.353**	0.102*		0.141**	-0.033	0.017	-0.175**
<i>Accountability</i>	0.355**	0.226**	0.022	0.141**		0.238**	0.099	0.131**
<i>Soc+Hyp</i>	0.121*	0.104*	0.025	-0.033	0.238**		0.233**	0.239**
<i>Involvement</i>	0.039	-0.017	0.033	0.017	0.099	0.233**		0.096
<i>Board Experience</i>	0.102*	0.063	0.041	-0.175**	0.131**	0.239**	0.096	

*Panel B* Correlations among variables from Experiment 2

<b>Variables</b>	<i>Allocations</i>	<i>Distance</i>	<i>Abstract</i>	<i>Congruent</i>	<i>Benchmark</i>	<i>Accountability</i>	<i>Soc+Hyp</i>	<i>Involvement</i>	<i>Board Experience</i>
<i>Allocations</i>		0.152*	-0.086	0.149*	0.161**	0.238**	0.062	0.073	0.125*
<i>Distance</i>	0.152*		0.067	0.008	0.030	-0.072	0.046	0.023	0.054
<i>Abstract</i>	-0.086	0.067		0.038	-0.039	-0.078	-0.018	0.038	0.061
<i>Congruent</i>	0.149*	0.008	0.038		-0.028	0.053	-0.095	-0.033	-0.015
<i>Benchmark</i>	0.161**	0.030	-0.039	-0.028		0.092	-0.072	0.000	-0.259**
<i>Accountability</i>	0.238**	-0.072	-0.078	0.053	0.092		0.223**	0.069	0.153*
<i>Soc+Hyp</i>	0.062	0.046	-0.018	-0.095	-0.072	0.223**		0.239**	0.270**
<i>Involvement</i>	0.073	0.023	0.038	-0.033	0.000	0.069	0.239**		0.106
<i>Board Experience</i>	0.125*	0.054	0.061	-0.015	-0.259**	0.153*	0.270**	0.106	

\*, \*\* Indicates statistical significance at the 0.05 and 0.01 levels (two-tailed), respectively.

**Notes:** This table reports Pearson (Spearman) correlations below (above) the diagonal. See Table 1 for variable definitions.

**Table 8** Regression Results for Baseline Tests and Experiment 2 – Tests of H1

Dependent variable: <i>Allocations</i>	Column 1	Column 2	Column 3
<i>Constant</i>	14.291** (3.503)	14.263** (3.512)	-1.976 (-0.376)
<i>Explanation</i>	26.954** (10.613)	24.488** (8.822)	22.445** (8.196)
<i>Distance</i>	2.201 (1.234)	2.221 (1.252)	2.468 (1.427)
<i>60% Benchmark</i>	-	3.832* (2.150)	3.213 (1.846)
<i>Accountability</i>	-	-	4.283** (4.682)
Controls:			
<i>Soc+Hyp</i>	0.712 (0.813)	0.811 (0.929)	-0.007 (-0.008)
<i>Involvement</i>	0.170 (0.136)	0.038 (0.031)	-0.337 (-0.278)
<i>Board Experience</i>	6.327 (1.225)	8.402 (1.606)	6.900 (1.351)
Number of Observations	393	393	393
R <sup>2</sup>	27.6%	28.5%	32.3%

\*, \*\* Indicates statistical significance at the 0.05 and 0.01 levels, respectively. Significance is one-tailed for *Explanation* due to directional hypothesis and two-tailed for all other variables. *t*-statistics are reported in parentheses. See Table 1 for variable definitions.

**Table 9** Regression Results for Experiment 2 – Tests of H2

Dependent variable: <i>Allocations</i>	Column 1	Column 2	Column 3
<i>Constant</i>	40.642** (7.593)	35.997** (6.555)	21.526** (2.879)
<i>Congruent</i>	6.491** (2.479)	6.705**	5.957** (2.324)
<i>Distance</i>	6.595* (2.526)	6.157*	6.706** (2.628)
<i>Abstract</i>	-5.107 (-1.953)	-4.930 (-1.912)	-4.277 (-1.673)
<i>60% Benchmark</i>	-	8.078** (3.034)	7.260** (2.745)
<i>Accountability</i>	-	-	3.311** (2.812)
Controls:			
<i>Soc+Hyp</i>	0.019 (0.018)	0.086 (0.082)	-0.461 (-0.439)
<i>Involvement</i>	0.562 (0.371)	0.368 (0.246)	0.158 (0.107)
<i>Board Experience</i>	11.000 (1.881)	15.523** (2.608)	13.638* (2.305)
Number of Observations	281	281	281
R <sup>2</sup>	6.7%	9.7%	12.3%

\*, \*\* Indicates statistical significance at the 0.05 and 0.01 levels, respectively. Significance is one-tailed for *Congruent* and *Accountability* due to directional hypotheses and two-tailed for all other variables. *t*-statistics are reported in parentheses. See Table 1 for variable definitions.

**Table 10** Descriptive Statistics and ANCOVA Results for Experiment 2 – Tests of H3*Panel A Means (standard deviations) for allocations to the NFP with the lower program ratio*

Distance	70% Benchmark		60% Benchmark	
	Concrete	Abstract	Concrete	Abstract
Near	51/49 <sup>a</sup> (25.34) <i>n</i> = 35	36/64 (17.41) <i>n</i> = 32	45/55 <sup>a</sup> (20.27) <i>n</i> = 37	38/62 (22.07) <i>n</i> = 32
Far	37/63 (21.10) <i>n</i> = 29	46/54 <sup>a</sup> (23.95) <i>n</i> = 37	57/43 <sup>b</sup> (21.73) <i>n</i> = 39	54/46 <sup>b</sup> (16.90) <i>n</i> = 40

<sup>a</sup>Allocations are not statistically different from each other and are higher than those of both incongruent groups in the 70% benchmark context and the incongruent group in the 60%-Near distance condition (all *p* values < 0.05, one-tailed).

<sup>b</sup>Allocations are not statistically different from each other and are higher than those in all other cells (*p* < 0.05, one-tailed).

**Notes:** Groups that were given explanatory information congruent with their psychological distance (Near:Concrete and Far:Abstract) are shaded. Allocations range from 0 to 100 percent.

*Panel B ANCOVA model of allocations (combined sample)*

Source of Variation	SS	df	MS	F	<i>p</i> value
Distance	2522.63	1	2522.63	5.86	0.02 <sup>*</sup>
Benchmark	3703.68	1	3703.68	8.60	0.00 <sup>**</sup>
Abstract	1062.12	1	1062.12	2.47	0.12
Distance x Benchmark	4003.21	1	4003.21	9.30	0.00 <sup>**</sup>
Distance x Abstract	2886.49	1	2886.49	6.70	0.01 <sup>**</sup>
Benchmark x Abstract	49.44	1	49.44	0.11	0.74
Distance x Benchmark x Abstract	2295.23	1	2295.23	5.33	0.01 <sup>**</sup>
<i>Controls:</i>					
Accountability	3276.64	1	3276.64	7.61	0.01 <sup>**</sup>
Soc+Hyp	248.63	1	248.63	0.58	0.45
Involvement	30.75	1	30.75	0.07	0.79
Board Experience	3046.73	1	3046.73	7.08	0.01 <sup>**</sup>
Error	115821.73	269	430.56		

$R^2 = 16.8\%$

<sup>\*</sup>, <sup>\*\*</sup> Indicates statistical significance at the 0.05 and 0.01 levels, respectively. Significance is one-tailed for interactions involving *Distance x Benchmark* due to directional hypothesis and two-tailed for all other items. See Table 1 for variable definitions.

**Table 10 (cont'd)** Descriptive Statistics and ANCOVA Results for Experiment 2 – Tests of H3*Panel C ANCOVA model of allocations – 70% Benchmark*

Source of Variation	SS	df	MS	F	p value
Distance	57.03	1	57.03	0.12	0.73
Abstract	263.49	1	263.49	0.57	0.45
Distance x Abstract	4923.00	1	4923.00	10.61	0.00**
<i>Controls:</i>					
Accountability	1896.86	1	1896.86	4.09	0.05*
Soc+Hyp	720.08	1	720.08	1.55	0.22
Involvement	22.12	1	22.12	0.05	0.83
Board Experience	3428.30	1	3428.30	7.39	0.01**
Error	57976.48	125	463.81		

R<sup>2</sup> = 16.7%

\*, \*\* Indicates statistical significance at the 0.05 and 0.01 levels (two-tailed), respectively. See Table 1 for variable definitions.

*Panel D ANCOVA model of allocations – 60% Benchmark*

Source of Variation	SS	df	MS	F	p value
Distance	6776.77	1	6776.77	16.72	0.00**
Abstract	842.62	1	842.62	2.08	0.15
Distance x Abstract	50.67	1	50.67	0.13	0.72
<i>Controls:</i>					
Accountability	1540.38	1	1540.38	3.80	0.05*
Soc+Hyp	2.29	1	2.29	0.01	0.94
Involvement	121.69	1	121.69	0.30	0.58
Board Experience	-	-			
Error	57149.68	141	405.32		

R<sup>2</sup> = 14.4%

\*, \*\* Indicates statistical significance at the 0.05 and 0.01 levels (two-tailed), respectively. See Table 1 for variable definitions.

**Table 11** Descriptive Statistics for Accountability Comparisons*Panel A Means (standard deviations) for Accountability in different benchmark contexts*

Distance	70% Benchmark		60% Benchmark	
	Concrete	Abstract	Concrete	Abstract
Near	5.438 (1.10) <i>n</i> = 35	5.219 (1.02) <i>n</i> = 32	5.538* (0.820) <i>n</i> = 37	5.047* (1.51) <i>n</i> = 32
Far	5.086 (1.03) <i>n</i> = 29	4.973** (1.17) <i>n</i> = 37	5.282 (1.25) <i>n</i> = 39	5.375** (0.995) <i>n</i> = 40

\* Statistically different ( $p = 0.04$ , two-tailed)\*\* Statistically different ( $p = 0.04$ , two-tailed)*Panel B Means (standard deviations) for additional Accountability comparisons*

	70% Benchmark	60% Benchmark	Combined
Near	5.33* (1.06)	5.31 (1.21)	5.32 (1.13)
Far	5.02*,** (1.10)	5.33** (1.12)	5.19 (1.12)
Near:Concrete	5.44 (1.10)	5.54 (0.82)	5.49 (0.96)
Far:Abstract	4.97 (1.17)	5.38 (1.00)	5.18 (1.09)
Near:Abstract	5.22 (1.02)	5.05 (1.51)	5.13 (1.28)
Far:Concrete	5.09 (1.03)	5.28 (1.25)	5.20 (1.15)
Concrete	5.28 (1.07)	5.41 (1.06)	5.35 (1.07)
Abstract	5.09 (1.10)	5.23 (1.25)	5.16 (1.18)
<u>Total</u>	<u>5.18 (1.09)</u>	<u>5.32 (1.16)</u>	<u>5.25 (1.13)</u>

\* Statistically different ( $p = 0.05$ , two-tailed)\*\* Statistically different ( $p = 0.05$ , two-tailed)

**Table 12** Descriptive Statistics and ANCOVA results for Measured Construal Level*Panel A Means (standard deviations) for those in the Near and Far distance conditions*

	<b>Distance</b>	<b>Presentation*</b>	<b>Congruent</b>	<b>Benchmark</b>
Near	1.55 (0.50) <i>n</i> = 136	Concrete 1.47 (0.50) <i>n</i> = 140	Yes 1.48 (0.50) <i>n</i> = 149	60% 1.55 (0.50) <i>n</i> = 148
Far	1.51 (0.50) <i>n</i> = 145	Abstract 1.59 (0.49) <i>n</i> = 141	No 1.58 (0.50) <i>n</i> = 132	70% 1.51 (0.50) <i>n</i> = 133

\* Indicates statistical differences at the 0.05 significance level (one-tailed).

*Panel B ANCOVA Results for measured construal level*

Source of Variation	SS	df	MS	F	p value
Distance	0.15	1	0.15	0.60	0.44
Abstract	1.20	1	1.20	4.82	0.01**
Distance x Abstract	0.80	1	0.80	3.20	0.04*
<i>Controls:</i>					
Benchmark	0.07	1	0.07	0.28	0.60
Accountability	0.15	1	0.15	0.59	0.44
Soc+Hyp	0.00	1	0.00	0.00	0.95
Involvement	0.12	1	0.12	0.48	0.49
Board Experience	0.01	1	0.01	0.05	0.83
Error	67.73	272	0.25		

 $R^2 = 3.2\%$ \*, \*\* Indicates statistical significance at the 0.05 and 0.01 levels, respectively. Significance is one-tailed for the *Abstract* and the interaction term due to directional expectations, and two-tailed for all other variables. See Table 1 for variable definitions.