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DO THE RIGHT THING: THE IMPRINTING OF DEONANCE AT THE UPPER ECHELONS

ABSTRACT

This study expands the application of deonance theory into organizations' upper echelons by examining how CEOs imprinted with a sense of duty can influence managerial decision-making. We hypothesize an imprint of bounded autonomy, an *ought-force* that constrains their decision-making and understanding of behavioral freedom, influences duty-bound CEOs to self-report errors in past financial reporting. We test deonance theory and gain attainment, related to institutional ownership concentration and CEO equity ownership. We use CEOs that are graduates of U.S. service academies as a proxy for duty-bound executives and find firms they lead are more likely to issue a financial restatement to correct a previous reporting error. This finding is robust to alternate explanations such as being error-prone, earnings management, auditor oversight, and risk behaviors. We also find evidence that deonance may be subject to behavioral expansion. The likelihood of issuing a restatement decreases as institutional ownership concentration and CEO equity ownership increases. This study shows imprinted deonance within the C-suite influences important organizational outcomes.

This particular manuscript will target the *Journal of Business Ethics* and *Business Ethics Quarterly*.

While this manuscript is in the advance stages of development, its associated extensions are still in the data collection and analysis stage. I have a core dataset and must now code a sample of over 18,000 observations for religiosity, political affiliation, business background, and education to test the concept of deonance and ethical decision-making related to these aforementioned attributes. Using my current data, available archival datasets, and computer coding, I will have a preliminary analysis conducted by the start of the academic year.

Given this research leverages social psychology, accounting, and corporate governance literatures to address our research inquiry, we believe the potential outlets for our studies include: *Academy of Management Journal*, *Organization Science*, *Strategic Management Journal*, *Journal of Management*, *Journal of Business Ethics*, and *Business Ethics Quarterly*. I also believe the interest in this study and my ongoing research portfolio will bridge multiple colleges and disciplines and be the interest to many campus constituents important to the Hobby School of Public Affairs.