

JANUARY 2007 RESEARCH REPORT
COLLEGE OF MANAGEMENT
NC STATE UNIVERSITY

Newly Accepted Refereed Journal Articles

Joe Brazel

“An Examination of Auditor Planning Judgments in a Complex Accounting Information System Environment,” with Christopher P. Agoglia, *Contemporary Accounting Research*.

In complex accounting information system (AIS) environments, auditor planning judgments are affected by the quality of work supplied by both computer assurance specialists (CAS) and auditors. Prior research has indicated that there are concerns about CAS competence in practice and the profession has acknowledged that auditors need to expand their expertise in the AIS domain. In this study, we investigate the effects of CAS competence and auditor AIS expertise on auditor planning judgments in a complex AIS environment. We find both CAS competence and auditor AIS expertise significantly affected auditor risk assessments. More importantly, auditors' AIS expertise levels moderated their ability to effectively incorporate CAS evidence into their planned substantive testing. Specifically, when CAS competence was low, auditors with higher AIS expertise effectively expanded the scope of their audit testing beyond the scope set by auditors with lower AIS expertise. The effect of AIS expertise diminished when auditors received evidence from a highly competent CAS. A mediation analysis indicates the ability to identify potential AIS-specific risks as a mechanism behind the moderating effect of auditor AIS expertise. Our results suggest auditors' AIS expertise can play a significant role in complex AIS settings and in their ability to compensate for CAS competence deficiencies.

Robert Clark

Robert Clark and Linda Ghent. “Mandatory Retirement and Faculty Retirement Decisions,” *Industrial Relations*.

As a result of the 1986 Age Discrimination in Employment Act, colleges and universities were no longer allowed to impose mandatory retirement on faculty members at age 70 after 1994. This paper estimates the change in retirement rates of faculty before and after the ending of mandatory retirement using data from the University of North Carolina (UNC) system. The analysis reveals a sharp decline in the probability of faculty at UNC retiring at age 70 once the university was unable to impose forced retirement.

Julie Earp

Matthew Vail, Julie Earp and Annie Anton, “An Empirical Study of Consumer Perceptions and Comprehension of Website Privacy Policies,” *IEEE Transactions on Engineering Management*

U.S. legislation at both the federal and state levels mandates certain organizations to inform customers about information uses and disclosures. Such disclosures are typically accomplished through privacy policies, both online and offline. Unfortunately, the policies are not easy to comprehend, and as a result, online consumers frequently do not read the policies provided at healthcare websites. Because these policies are often required by law, they should be clear so that consumers are likely to read them and to ensure consumers can comprehend these policies. This, in turn, may increase consumer trust and encourage consumers to feel more comfortable when interacting with online organizations. In this paper, we present results of an empirical

study, involving 993 Internet users, which compared various ways to present privacy policy information to online consumers. Our findings suggest that users perceive typical, paragraph-form policies to be more secure than other forms of policy representation, yet user comprehension of such paragraph-form policies is poor compared to other policy representations. The results of this study can help managers create more trustworthy policies, aid compliance officers in detecting deceptive organizations, and serve legislative bodies by providing tangible evidence as to the ineffectiveness of current privacy policies.

Deepak Sirdeshmukh

Voss, Glenn B., Deepak Sirdeshmukh, & Zannie Giraud Voss, "The Effects of Slack and Environmental Threat on Product Exploration and Exploitation," *Academy of Management Journal*.

In this study, the authors examine how different forms of resource slack interact with environmental threat appraisal to influence product exploration and exploitation. The findings demonstrate that the effect of slack on exploration and exploitation varies systematically depending on the extent to which the slack resource is rare and the extent to which it is absorbed in ongoing operations. Rare and absorbed resource slack leads to increased exploitation. Unabsorbed resources, regardless of rarity, lead to higher levels of product exploration and lower levels of product exploitation, but only when environmental threats are perceived. The overall pattern of results reveals pragmatic decision-making that balances the benefits of attaining superior strategic positions with the risks of jeopardizing ongoing viability.

Glenn Voss

Voss, Glenn B., Deepak Sirdeshmukh, & Zannie Giraud Voss, "The Effects of Slack and Environmental Threat on Product Exploration and Exploitation," *Academy of Management Journal*.

See abstract above

Publications

Robert Clark

Robert Clark and Lee Craig, "A History of Employer Pension Plans," *Financial History*, Winter 2007, pp. 30-34.

Lee Craig

Robert Clark and Lee Craig, "A History of Employer Pension Plans," *Financial History*, Winter 2007, pp. 30-34.

Julie Earp

A. Anton, J. Earp, M.Vail, N. Jain, C. Gheen and J. Frink, "HIPAA's Effect on Website Privacy Policies," *IEEE Security and Privacy*, Volume 5, Number 1, January/February 2007

Grants

Joe Brazel

Institute of Internal Auditors Research Foundation Grant, \$15,000

Presentations

Al Bean

Al Bean, "Innovation Metrics in U.S. Industry: A Historical Perspective," NSF Workshop on Advancing Measures of Innovation: Knowledge Flows, Business Metrics, and Measurement Strategies, Arlington, VA, June 7, 2006. Slides available at <http://www.nsf.gov/statistics/workshop/innovation06/bean.pdf>

Joe Brazel

Joe Brazel, "Using Nonfinancial Measures to Assess Fraud Risk," with Keith Jones and Mark Zimbelman. Presented at the 2007 AAA Auditing Section Mid-Year Conference, Charleston, SC.

Julie Earp

Julie Earp, Matthew Vail and Annie Anton, "Privacy Policy Representation in Web-Based Healthcare," 40th Annual IEEE Hawaiian International Conference on System Sciences (also published in the proceedings) January 3-6, 2007

Fay Payton

Fay Cobb Payton, "Digital (In)Equity and Education," University of North Carolina Institute of African American Research, January 2007

Eileen Taylor

Eileen Taylor, "The Effects of In-Group Bias and Decision Aid Use on Auditors' Evidence Evaluation "AAA Audit Section Mid-Year meeting January 13, 2007 in Charleston.