

Accounting Research Workshop (ARW) – summer 2023

Speaker: Peter Kroos

University: Professor of Management Accounting and Control, University of Amsterdam

Date: July 11, 2023

Topic: *“Supporting Underperforming Agents: The Role of Human Capital Development and Relative Performance Information?”*

Peter Kroos’ talk gives an overview of his own previous work on target setting and relative performance. Co-authoring with Jan Bouwens and Jingwen Zhang their paper contributes to the literature on human capital development, non-financial targets, and management practices.

Using a proprietary data set of a retail firm on their setting of targets on nonfinancial measures for their stores they address the question whether “principals use management practices aimed at developing human capital, such as mentoring and training, to support underperforming agents”.

Their theoretical framework builds on the notion that firms use human capital practices to augment the ability of underperforming agents to address underperformance. However, given the scarcity of resources they expect the principal to use relative performance information for sorting and only invest in agents whose performance is “substandard but better relative to peers, in order to attain positive returns on human capital investments.”

Their findings suggest that “human capital investments are made to support agents whose performance is substandard but better than peers.” Furthermore, they provide evidence to the idea that “human capital investments help these agents to improve their performance on nonfinancial targets.”