



The impact of task interruption on tax accountants' professional judgment

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ABSTRACT

Accounting professionals are frequently interrupted, and prior research suggests that task interruption could compromise the quality of their professional judgments. This paper adopts the Goal-Based Choice Model to predict conditions under which task interruption will: (1) exacerbate accountants' motivated reasoning, introducing bias into their professional judgments, and (2) reduce performance on the *interrupting* task. We validate the model by conducting an experiment using experienced tax professionals as participants. Consistent with the expanded model's predictions, we find that when tax professionals are highly committed to a directional goal (minimize the client's tax liability), task interruption exacerbates their motivated reasoning, increases their perceptions of the level of support for an aggressive tax compliance position, bolsters their confidence in its defensibility, and compromises their ability to objectively evaluate the risks associated with the position. These factors cascade to increase the likelihood that they will recommend an aggressive tax compliance position. Furthermore, we find that the impact of task interruption cascades to inhibit *interrupting* task performance. Our results suggest that task interruption can create costly inefficiencies when these issues must be addressed during the review process, and that severe consequences for firms and their clients can arise when the review process fails to identify these deficiencies. In addition, our results suggest that task interruption's costs may outweigh its benefits in the context of professional judgment.

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1. Introduction

Accounting professionals are frequently interrupted while they perform work-related tasks because they must be responsive to clients and coworkers, and adapt to constantly shifting priorities (Long & Stanley, 2012). Emerging research in consumer psychology suggests that task interruption can systematically shift consumers' judgments in a direction consistent with their primary goal(s). Tax professionals are motivated to minimize the client's tax liability in order to maximize after-tax income. We integrate the Goal-Based Choice (GBC) Model (van Osselaer & Janiszewski, 2012) from the consumer psychology literature with motivated reasoning theory (Kunda, 1990) to predict that when tax professionals are highly committed to this goal, task interruption will systematically shift their judgments towards goal-congruent directional extremes, and induce confidence bolstering. This is problematic because task

interruption does not provide decision-relevant information; therefore, a systematic directional effect of task interruption on professional judgment is non-normative, and the resulting judgments are biased.

Tax accountants' professional judgments are also subject to external scrutiny (e.g., administrative or regulatory review). When the directional shift induced by task interruption results in overly-aggressive tax compliance recommendations, a number of consequences can occur. When inappropriate judgments are discovered during the review process, undesirable inefficiencies associated with correcting these issues arise, resulting in additional costs for the firm and/or client. If inappropriate judgments survive the review process, and are subsequently judged to be overly-aggressive, accounting professionals, firms, and their clients can be exposed to significant consequences (e.g., Cloyd and Spilker [1999] note that in the context of a tax compliance recommendation, the disallowance of a tax position can lead to sanctions and reputational damage for the firm, and penalties and interest for the taxpayer). Furthermore, increased confidence in the justifiability of relatively aggressive compliance recommendations implies that task interruption

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compromises tax professionals' ability to objectively evaluate the strength of alternative compliance positions, and the relative risks associated with them. This may cause taxpayers to unknowingly adopt compliance positions that are misaligned with their risk preferences.

We also expand the GBC Model to incorporate the concept of "attention residue" (Leroy, 2009) and extend the model to account for the impact of task interruption on *interrupting* task performance. We predict that when individuals are highly committed to a primary goal on an interrupted task, cognitions related to the interrupted task's primary goal will interfere with cognitions related to the interrupting task, increasing cognitive load and inhibiting *interrupting* task performance. This suggests that interruption can reduce performance on both the *interrupted* and *interrupting* tasks. It is important to account for these costs so that individuals can make fully-informed cost/benefit decisions about their exposure and responsiveness to task interruptions.

To validate the application of the expanded GBC Model to professional judgment in the accounting domain, we conducted a web-based experiment employing tax professionals as participants. Consistent with the model's predictions, we found that task interruption magnified the impact of motivated reasoning on tax professionals' judgments when they were highly committed to minimizing the client's tax liability. This was manifested in higher perceptions of the level of support for an aggressive tax position. We also found that the increased motivated reasoning induced by task interruption results in confidence bolstering: interrupted tax professionals who were highly committed to minimizing the client's tax liability perceived the chances of successfully defending an aggressive tax compliance position against a regulatory challenge to be greater. These factors cascaded to increase the likelihood that tax professionals would recommend an aggressive tax compliance position. Lastly, we found that interruption inhibits performance on the *interrupting* task.

This study makes three important theoretical contributions. First, it extends the task interruptions and accounting literatures by integrating a model of consumer choice with motivated reasoning theory to predict the impact of task interruption on professional judgment in the accounting context. Secondly, it expands the model to include attention residue and extends it to describe the impact of task interruption on the *interrupting* task. Lastly, it provides initial evidence in support of a boundary condition suggested by the model that governs the impact of task interruption on judgment and interrupting task performance: sufficiently high levels of goal commitment. Collectively, the results provide initial evidence in support of several propositions of the expanded GBC Model, and validate that the model provides a firm theoretical foundation for future research on this topic.

From a practical perspective, this study provides initial evidence that task interruption can systematically bias professional judgments under conditions commonly encountered in practice. In the context of a tax compliance recommendation, when biased judgments are discovered during the review process, undesirable inefficiencies associated with correcting these issues arise, resulting in additional costs for the firm and/or the client. If inappropriate recommendations survive the review process, clients may adopt compliance positions that are misaligned with their risk preferences. To the extent that these positions are overly-aggressive, consequences for both the tax professional and the taxpayer can occur. In addition, evidence that task interruption can reduce performance on the interrupting task provides a more complete accounting of the costs of task interruption, and implies that the cost

of task interruption may outweigh its benefits in the context of professional judgment. However, these findings were conditional on high levels of goal commitment, suggesting that the negative consequences associated with task interruption are limited to settings in which accounting professionals are highly committed to directional goals.

The remainder of this paper is organized as follows: First, we review the relevant literature and develop our hypotheses. Next, we describe our research methodology and present our results. We close with a discussion of our findings, our conclusions, the study's limitations, and opportunities for future research.

2. Literature review and hypothesis development

2.1. Task interruption

Task interruptions are "incidents or occurrences that impede or delay organizational members as they attempt to make progress on work tasks" (Jett & George, 2003; p. 504). Prior research in the information systems, human factors, and psychology domains has found that interruptions adversely affect performance on all but the simplest of tasks (see Spiekermann & Romanow, 2008 for a review). Accounting professionals are frequently interrupted while they complete work tasks (Long & Stanley, 2012), and serious consequences can arise when they fail to complete these tasks effectively. Yet, the accounting domain differs from contexts considered by prior research along several important dimensions, including individuals' domain expertise and their incentives to complete tasks efficiently and effectively. Therefore, emerging research in accounting has begun to explore whether the findings from the extant interruptions literature can be generalized to the accounting domain (e.g., Harding, Kim, & Mayorga, 2013; Long, McClain, & Searcy, 2014; Mullis & Hatfield, 2015). These studies provide evidence that task interruption inhibits accounting professionals' performance, consistent with the broad findings of the extant task interruption literature in other disciplines.

However, this literature has primarily examined the impact of interruption on tasks for which performance can be objectively evaluated in terms of accuracy (e.g., Basoglu, Fuller, & Sweeney, 2009; Speier, Valacich, & Vessey, 1999; Speier, Vessey, & Valacich, 2003), and largely ignored the impact of interruption on judgment and decision-making.¹ The exception is emerging research in consumer psychology, which has begun to explore the impact of task interruption on consumers' preferences (judgments). These studies document that task interruption can systematically affect judgment, shifting preferences towards desirability at the expense of feasibility (Liu, 2008) and causing goal reversion when consumers experience goal conflict and temporarily set aside one of the conflicting goals (Carlson, Meloy, & Miller, 2013).

Within the accounting domain, a number of tasks require individuals to exercise professional judgment. Accountants' professional judgments differ from consumer judgments because they are constrained by justifiability requirements and subject to external scrutiny, and inappropriate judgments can carry serious consequences. These circumstances incentivize accounting professionals to provide defensible judgments, isolated from the effects of factors

¹ Although Harding et al. (2013) and Mullis and Hatfield (2015) discuss the impact of task interruption (multitasking) on accountants' professional judgment, their measures of performance were associated with participants' ability to identify seeded errors. Therefore, these tasks were effectively evaluated in terms of accuracy. Furthermore, Mullis and Hatfield (2015) consider the impact of task interruption on a subsequent task, not the interrupted or interrupting task.

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