

> Thursday, January 7<sup>th</sup>, 2021

14:30 - 16:00

ACCOUNTING RESEARCH SEMINAR



EMPOWERING CHANGEMAKERS FOR A BETTER SOCIETY



## “SCENARIO PRESENTATION AND THE SELECTION OF INNOVATION PROJECTS” BY DR. WIM VAN DER STEDE – LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

### ABSTRACT

Innovation project selection decisions are key to firm success and are affected by accounting information that project teams present. In their pitches to innovation decision-makers, project teams invariably include financial projections but do not universally present scenarios. Although scenario presentation has been claimed to influence project selection decisions, the channels through which this occurs are poorly understood. Results from two experimental studies with 2,425 managers indicate that scenario presentation affects project selection decisions through perceived team expertise and project risk depending on the range of the scenarios and the type of innovation project. Thus, scenario presentation is not an unconditionally ‘best’ approach. Specifically, our study identifies the settings where scenarios help innovation project selection as well as where they ‘backfire’. We contribute to the innovation and capital budgeting literatures as well as to the question of whether accounting stifles or enables innovation.

**Keywords:** Innovation, Decision-Facilitating Role of Accounting, Innovation Project Selection Decisions, New Product Development, Scenario Presentation.