

**COMPARATIVE STATICS OF OPTIMAL WEIGHTS ON MYOPIC PERFORMANCE MEASURES**

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**ABSTRACT**

This paper examines the comparative statics of optimal weights on the use of myopic performance measures in a multitask agency model. Using Linear, Exponential, Normal (LEN) setting, the paper shows that when current investments in research and development (R&D) have higher future impact on firm value, i.e., for high growth firms, optimal weight on the myopic accounting performance measure should be lower. In addition, an increase in firm's growth opportunity will lead to an increase in the weight of the additional performance measure such as prices relative to the weight of accounting incomes. Furthermore, the paper shows that an increase in managerial risk aversion increases the weight on the additional performance measure over accounting performance measure.

Keywords: *Principal-Agent Theory; Performance Measurement; LEN Model*