

## JOURNAL ACCEPTANCES

### ACCOUNTING

**Richard Frankel:** "GAAP Goodwill and Debt Contracting Efficiency: Evidence from Net-Worth Covenants" with Chandra Seethamraju and **Tzachi Zach**, forthcoming in the **Review of Accounting Studies**.

**Abstract:** We study the role of goodwill in promoting contracting efficiency and the effect of SFAS 141 and 142 on this role. We provide three main results. First, when a lending agreement contains some type of minimum-net-worth covenant, the probability of a tangible-net-worth covenant is decreasing in the borrower's goodwill. Second, the use of tangible-net-worth covenants has increased since the promulgation of SFAS 141 and 142. Finally, covenant slack is not significantly related to the use of tangible-net-worth covenants relative to net-worth covenants. These results suggest that contracting parties realize efficiency gains by permitting borrowers' actions to be restricted by the value of GAAP goodwill. However, the salutary effects of goodwill on contracting efficiency have been reduced due to recent changes in GAAP.

**Xuimin Martin:** "Voluntary disclosures around share repurchases", forthcoming in **Journal of Financial Economics**.

**Abstract:** We examine voluntary disclosure activities around actual share repurchases. We find that managers increase the percentage and magnitude of bad news announcements during the one-month period prior to repurchasing shares. We find weaker evidence that managers increase the percentage and magnitude of good news announcements during the one-month period following their repurchases. These results are consistent with Barclay and Smith's (1988) conjecture that share repurchases, unlike dividends, provide managers with additional incentives to manipulate information flows. We show that managers alter the content of voluntary disclosures by providing downward-biased earnings forecasts before repurchases. Further empirical analyses indicate that managers' propensity to alter information flows prior to share repurchases increases with their ownership interest in the firm. Overall, our findings suggest that as managers continue to substitute repurchases for dividends, increasing amounts of corporate payouts will be subject to opportunistic disclosure strategies.

**Xuimin Martin:** "Does Cross Listing Lead to Higher Firm Growth", forthcoming in **Review of Finance**

**Abstract:** Extant research posits that cross-listing improves firms' access to lower cost external financing. But so far, there is scarce evidence that improved access to external funds through cross-listing contributes to higher firm growth. Documenting the relation between firm growth and cross-listing is critical because the presumption in prior research is that funds raised via cross-listing will be channeled towards potentially profitable projects. Using a sample of firms from 37 countries that are cross-listed in the U.S., we find a positive association between cross-listing and subsequent externally-financed firm growth rates. However, we do not find that increases in externally-financed firm growth after cross-listing vary systematically as a function of the home-country attributes of the cross-listed firms. Overall, our results provide new and direct evidence on the impact of cross-listing on firm growth rates.

**Xuimin Martin:** "Does Voluntary Disclosure Improve Stock Price Informativeness?" forthcoming in **Financial Management**

**Abstract:** According to theory, comovement in stock prices reflects comovement in the fundamental factors underlying the values of stocks. Recent theory contends that stock price comovement can be driven by information markets or the informational opacity of the firm.

To the extent that voluntary disclosure reduces information acquisition cost and enhances firm transparency, we predict that enhanced voluntary disclosure reduces stock price comovement. We provide evidence in support of this prediction using AIMR voluntary disclosure data. Overall, our evidence supports the effectiveness of firm disclosure policy in increasing the amount of firm-specific information contained in stock returns.

**Raj Mashruwala:** "The Moderating Role of Competition in the Relationship between Nonfinancial Measures and Future Financial Performance", with R. Banker in **Contemporary Accounting Research**, Fall 2007, Issue 24 (3): pp. 763-793.

**Abstract:** The mixed results from earlier studies examining the links between nonfinancial measures and financial performance suggest that contextual variables may moderate these relationships. We use data from more than 800 stores of a retail chain to assess whether the relationship between nonfinancial measures such as employee satisfaction and customer satisfaction, and financial performance is influenced by the competitive characteristics of retail store locations. We model and estimate the relationship between employee satisfaction, customer satisfaction and earnings, controlling for past earnings to evaluate whether these nonfinancial measures are lead indicators of financial performance. In doing so, we examine the role of competition as a moderating variable in these relationships. We find that nonfinancial measures have significant incremental information content in predicting future store profitability only in the high-competition urban locations. In additional tests we estimate whether these nonfinancial measures are correlated with subjective information that senior management implicitly relies on when evaluating the performance of store managers and selecting stores for closure. The study underscores the importance of understanding the context when using nonfinancial measures as an integral part of the management control system.

## ECONOMICS

**Siddhartha Chib:** "Analysis of treatment response data without the joint distribution of potential outcomes", **Journal of Econometrics** 140 (2007) 401–412

**Abstract:** In this paper we show how it is possible to develop a Bayesian framework for analyzing structural models for treatment response data without the joint distribution of the potential outcomes. That this is possible has not been noticed in the literature. We also discuss the computation of the model marginal likelihood and present recipes for finding relevant treatment effects, averaged over both parameters and covariates. As compared to an approach in which the counterfactuals are part of the prior-posterior analysis (as in the work to date), the approach we suggest is simpler in terms of the required prior inputs, computational burden and extensibility to more complex settings.

**Siddhartha Chib:** "Stochastic volatility with leverage: Fast and efficient likelihood inference" with Yasuhiro Omori, Neil Shephard and Jouchi Nakajima, **Journal of Econometrics** 140 (2007) 425–449

**Abstract:** This paper is concerned with the Bayesian analysis of stochastic volatility (SV) models with leverage. Specifically, the paper shows how the often used Kim et al. [1998. Stochastic volatility: likelihood inference and comparison with ARCH models. Review of Economic Studies 65, 361–393] method that was developed for SV models without leverage can be extended to models with leverage. The approach relies on the novel idea of approximating the joint distribution of the outcome and volatility innovations by a suitably constructed ten-component mixture of bivariate normal distributions. The resulting posterior distribution is summarized by MCMC methods and the small approximation error in working with the mixture approximation is corrected by a reweighting procedure. The overall procedure is fast and highly efficient. We illustrate the ideas on daily returns of the Tokyo Stock Price Index. Finally, extensions of the method are described for superposition models (where the log-volatility is made up of a linear combination of heterogenous and independent autoregressions) and heavy-tailed error distributions (student and log-normal).

**Siddhartha Chib:** "Modeling and calculating the effect of treatment at baseline from panel outcomes", with Liana Jacobi, **Journal of Econometrics** 140 (2007) 781–801

**Abstract:** We propose and examine a panel data model for isolating the effect of a treatment, taken once at baseline, from outcomes observed over subsequent time periods. In the model, the treatment intake and outcomes are assumed to be correlated, due to unobserved or unmeasured confounders. Intake is partly determined by a set of instrumental variables and the confounding on unobservables is modeled in a flexible way, varying both by time and treatment state. Covariate effects are assumed to be subject-specific and potentially correlated with other covariates. Estimation and inference is by Bayesian methods that are implemented by tuned Markov chain Monte Carlo methods. Because our analysis is based on the framework developed by Chib [2004. Analysis of treatment response data without the joint distribution of counterfactuals. *Journal of Econometrics*, in press], the modeling and estimation does not involve either the unknowable joint distribution of the potential outcomes or the missing counterfactuals. The problem of model choice through marginal likelihoods and Bayes factors is also considered. The methods are illustrated in simulation experiments and in an application dealing with the effect of participation in high school athletics on future labor market earnings.

**Amanda Friedenberg:** "Admissibility in Games", with A. Brandenburger and H.J. Keisler, forthcoming in **Econometrica**.

**Abstract:** Suppose that each player in a game is rational, each player thinks the other players are rational, and so on. Also, suppose that rationality is taken to incorporate an admissibility requirement---i.e., the avoidance of weakly dominated strategies. Which strategies can be played? We provide an epistemic framework in which to address this question. Specifically, we formulate conditions of "rationality and  $m$ -th-order assumption of rationality" (RmAR) and "rationality and common assumption of rationality" (RCAR). We show: (i) RCAR is characterized by a solution concept called a "self-admissible set;" (ii) in a "complete" type structure, RmAR is characterized by the set of strategies that survive  $m+1$  rounds of elimination of inadmissible strategies; (iii) under a non-triviality condition, RCAR is impossible in a complete structure.

**Amanda Friedenberg:** "Intrinsic Correlation in Games", with A. Brandenburger, forthcoming in **Journal of Economic Theory**

**Abstract:** Correlations arise naturally in non-cooperative games, e.g., in the equivalence between undominated and optimal strategies in games with more than two players. But the non-cooperative assumption is that players do not coordinate their strategy choices, so where do these correlations come from? The epistemic view of games gives an answer. Under this view, the players' hierarchies of beliefs (beliefs, beliefs about beliefs, ...) are part of the description of a game. This gives a source of correlation: A player believes other players' strategy choices are correlated, because he believes their hierarchies of beliefs are correlated. We refer to this kind of correlation as "intrinsic," since it comes from variables--viz., the hierarchies of beliefs--that are part of the game. We compare the intrinsic route with the "extrinsic" route taken by Aumann <cite>aumann74</cite>, which adds signals to the original game.

**Jeroen Swinkels:** "Moral Hazard with Bounded Payments", with **Ohad Kadan** and Ian Jewitt, forthcoming in **The Journal of Economic Theory**.

**Abstract:** We study the moral hazard problem with general constraints on how little or much the agent can be paid as a function of output. We provide a characterization and existence result using only very simple methods. In the dual problem of minimizing costs for a given effort level, a constraint that harms the principal will always result in a contract that pays according to the constraint on some range of outcomes. For the case of a simple fixed minimum feasible payment, the resultant contract will be option-like. We show how the "strike price" and intensity of incentives once the strike price is exceeded vary in the minimum payment and the outside option of the agent. When the principal can also choose the effort to induce, then, even if the constraint harms the principal, he may optimally choose a contract that never pays the minimum (or maximum). We show that this can only occur if the problem without the payment constraints fails a form of concavity.

**FINANCE**

The Finance group at Olin was among the top 5 in terms of the total number of publications by institutions in **The Journal of Finance** in 2006.

**Radhakrishnan Gopalan** : "Market Liquidity, Investor Participation and Managerial Autonomy: Why do Firms Go Private?" co-authored with Arnoud Boot and **Anjan Thakor** was accepted for publication in the **Journal of Finance**.

Abstract: We analyze a publicly-traded firm's decision to stay public or go private, focusing on the stochastic nature of investor participation in the public market. The liquidity of public ownership is both a blessing and a curse: it facilitates trading and lowers the cost of capital, but it also introduces volatility in a firm's shareholder base. This exposes management to uncertainty regarding the identity of future shareholders and their intervention in management decisions, consequently affecting the manager's perceived decision-making autonomy and curtailing managerial inputs. We extract predictions about how investor participation affects stock price level and volatility and the public firm's incentives to go private, thereby providing a link between investor participation and firm participation in public markets.

**Dirk Hackbarth**: "Managerial Traits and Capital Structure Decisions", forthcoming in **Journal of Financial and Quantitative Analysis**.

Abstract: This article incorporates well-documented managerial traits into a tradeoff model of capital structure to study their impact on corporate financial policy and firm value. Optimistic and/or overconfident managers choose higher debt levels and issue new debt more often, but need not follow a pecking order. The model also surprisingly uncovers that these managerial traits can play a positive role. Biased managers' higher debt levels restrain them from diverting funds, which increases firm value by reducing this manager-shareholder conflict. Though higher debt levels delay investment, mildly biased managers' investment decisions can increase firm value by reducing this bondholder-shareholder conflict.

**Ohad Kadan**: "Moral Hazard with Bounded Payments", with **Jeroen Swinkels** and Ian Jewitt, forthcoming in **The Journal of Economic Theory**.

Abstract: We study the moral hazard problem with general constraints on how little or much the agent can be paid as a function of output. We provide a characterization and existence result using only very simple methods. In the dual problem of minimizing costs for a given effort level, a constraint that harms the principal will always result in a contract that pays according to the constraint on some range of outcomes. For the case of a simple fixed minimum feasible payment, the resultant contract will be option-like. We show how the "strike price" and intensity of incentives once the strike price is exceeded vary in the minimum payment and the outside option of the agent. When the principal can also choose the effort to induce, then, even if the constraint harms the principal, he may optimally choose a contract that never pays the minimum (or maximum). We show that this can only occur if the problem without the payment constraints fails a form of concavity.

**Lubomir Litov**: "Corporate Governance and Managerial Risk Taking", with Kose John and Bernard Yeung, forthcoming in the **Journal of Finance**.

Abstract: Better investor protection could lead corporations to undertake riskier but value enhancing investments. Insiders may avoid risky investments to protect private benefits extracted from the corporation. Better investor protection mitigates the taking of private benefits and consequently the degree of risk-avoidance. Also, in better investor protection environments, stakeholders like creditors, labor groups, and the government are less effective in reducing corporate risk taking for their self-interest. Interestingly, arguments can also be made for a negative relationship between investor protection and risk-taking. Using a cross-country panel and a US-only sample, we find that corporate risk-taking and firm growth rates are positively related to the quality of investor protection.

**Anjan Thakor:** "Overconfidence, Leadership Selection, and Corporate Governance", with Anand Goel, forthcoming in **Journal of Finance**.

Abstract: We develop a model which shows that an overconfident manager, who sometimes makes value destroying investments, nonetheless has a higher likelihood than a rational manager of being deliberately promoted to CEO under *value-maximizing* corporate governance. Moreover, a risk-averse CEO's overconfidence enhances firm value up to a point, but the effect is *non-monotonic* and differs from that of lower risk aversion. Overconfident CEOs also underinvest in information production. The board fires both excessively diffident and excessively overconfident CEOs. Finally, Sarbanes-Oxley is predicted to improve the precision of information provided to investors, but reduce project investment.

**Anjan Thakor:** "Relationship Banking, Fragility and the Asset-Liability Matching Problem", with Fenghua Song, forthcoming in **Review of Financial Studies**.

Abstract: We address a fundamental question in relationship banking: why do banks that make relationship loans finance themselves primarily with core deposits and when would it be optimal to finance such loans with purchased money? We show that not only are relationship loans informationally opaque and illiquid, but require the relationship between the bank and the borrower to endure in order for the bank to add value. However, the informational opacity of relationship loans gives rise to endogenous withdrawal risk that makes the bank fragile. Core deposits are an attractive funding source for such loans because the bank provides liquidity services to core depositors and this diminishes the likelihood of premature deposit withdrawal, thereby facilitating the continuity of relationship loans. That is, we show that banks will wish to match the highest value-added liabilities with the highest value-added loans and that doing so simultaneously minimizes the bank's fragility due to withdrawal risk and maximizes the value the bank adds in relationship lending. We also examine the impact of interbank competition on the bank's asset-liability matching and extract numerous testable predictions.

**Guofu Zhou:** "Optimal Portfolio Choice with Parameter Uncertainty", with Raymond Kan, in **Journal of Financial and Quantitative Analysis**, 42, 2007, 621-656.

Abstract: In this paper, we analyze parameter uncertainty problem in forming optimal portfolios, and show that the standard plug-in approach that replaces the population parameters by their sample estimates can lead to very poor out-of-sample performance. We further show holding the sample tangency portfolio and the riskless asset is never optimal. An investor can benefit by holding some other risky portfolios that help reduce the estimation risk. In particular, we show that a portfolio that optimally combines the riskless asset, the sample tangency portfolio, and the sample global minimum-variance portfolio dominates a portfolio with just the riskless asset and the sample tangency portfolio, suggesting that the presence of estimation risk completely alters the theoretical recommendation of a two-fund portfolio.

**Guofu Zhou:** "Asymmetries in Stock Returns: Statistical Tests and Economic Evaluation", with Youngmao Hong and Jun Tu, in **Review of Financial Studies**, 20, 2007, 1547-1581.

Abstract: In this paper, we provide a model-free test for asymmetric correlations in which stocks move more often with the market when the market goes down than when it goes up. We also provide such tests for asymmetric betas and covariances. In addition, we evaluate the economic significance of incorporating asymmetries into investment decisions. When stocks are sorted by size, book-to-market and momentum, we find strong evidence of asymmetry for both the size and momentum portfolios, but no evidence for the book-to-market portfolios. Moreover, the asymmetries can be of substantial economic importance for an investor with a disappointment aversion preference.

**MARKETING**

**Tat Chan:** “Decomposing Purchase Elasticity with A Dynamic Structural Model of Flexible Consumption”, with **Chakravarthi Narasimhan** and Qin Zhang, forthcoming in the **Journal of Marketing Research**.

**Abstract:** It is well known that store-level sales respond positively to short term price promotions. Under the assumption of constant consumption rate, prior literature has identified that the sources for the increase are brand switching, purchase acceleration, and stockpiling. However, recent research has shown that the consumption of households is also affected positively by price promotions. In this paper we offer a methodology to decompose the effects of price promotions into brand switching, stockpiling and change in consumption by explicitly allowing for consumer heterogeneity in brand preferences and consumption needs. We develop a dynamic structural model of a household that decides when, what, and how much to buy, as well as how much to consume, to maximize its expected utility over an infinite horizon. By making certain simplifying assumptions we are able to reduce the dimensionality of the problem. We estimate the proposed model using household purchase data in canned tuna and paper towel categories. The results from the model shed insights on the decomposition of promotional effects into its components. This could help managers to make inferences about which brand’s sales are more responsive to stockpiling or increase in consumption expansion and how temporary price cuts affect future sales. Contrary to previous literature, we find that brand switching is not the dominant force for the increase in sales. We show that brand loyal consumers respond to a price promotion mainly by stockpiling for future consumption while brand switchers do not stockpile at all. We also find that heavy users stockpile more, while light users mainly increase consumption when there is a price promotion.

**Amar Cheema:** “Anytime versus Only: Mindsets Moderate the Effect of Expansive versus Restrictive Frames on Promotion”, co-authored with Vanessa M. Patrick, forthcoming in the **Journal of Marketing Research**.

**Abstract:** Anytime versus Only: Mindsets Moderate the Effect of Expansive versus Restrictive Frames on Promotion Evaluation (co-authored with Vanessa M. Patrick), Forthcoming in the *Journal of Marketing Research* (unconditionally accepted, August 13<sup>th</sup> 2007).  
**Abstract:** Across three studies we demonstrate that the framing of redemption windows as *expansive* or *restrictive*, while keeping the actual length of the window constant, influences consumers’ evaluations of sales promotions. We find that when feasibility concerns are highlighted (e.g., in an implemental mindset), consumers prefer the expansive “anytime” (vs. the restrictive “only”) frame. However, consumers in a deliberative mindset prefer the restrictive “only” (vs. the expansive “anytime”) frame. Study 1 reveals that while the former attend more to their ability to redeem the offer, the latter are influenced more by the precision of the offer. Study 2 highlights the mediating role of these inferences on consumers’ likelihood of availing the offer. Study 3 demonstrates the impact of these frames on real-world coupon redemption. We conclude with a discussion of the scope of this framing effect, the implications of the findings, and directions for future research.

**Amar Cheema:** “The Effect of Partitions on Controlling Consumption”, co-authored with Dilip Soman, forthcoming in the **Journal of Marketing Research**.

**Abstract:** In this article we demonstrate that partitioning an aggregate quantity of a resource (e.g., food or money) into smaller units reduces the consumed quantity or the rate of consumption of that resource. We propose that partitions draw attention to the consumption decision by introducing a small transaction cost; i.e., they provide more decision-making opportunities so that prudent consumers are able to control consumption. Across four studies we show that individuals are better able to constrain consumption when resources associated with a desirable activity (which individuals are trying to control) are partitioned rather than when they are aggregated. We demonstrate the effect of partitioning on consumption of chocolates (study 1) and on gambling with cash tokens (study 2). In study 3 we use process measures to illustrate the effect of partitioning on decision making (specifically, more accurate recall and longer decision times). Importantly, the effect of partitioning diminishes when consumers are not trying to regulate consumption (studies 1 and 3). Finally, in study 4, we explore how habituation may decrease the amount of attention that partitions draw to consumption. In this context, we show that partitions control consumption to a greater extent when the nature of partitions changes frequently.

**Chakravarthi Narasimhan:** "Information and Inventory in Distribution Channels", with Iyer and Niraj, forthcoming in **Management Science**.

**Abstract:** We examine the trade-offs between demand information and inventory in a distribution channel. While better demand information has a positive direct effect for the manufacturer in improving the efficiency of holding inventory in a channel, it can also have the strategic effect of increasing retail prices and limiting the extraction of retail profits. Having inventory in the channel can help the manufacturer to manage retail pricing behavior while better extracting retail surplus. Thus even if the information system is perfectly reliable, the manufacturer might not always want to institute an information enabled channel over a channel with inventory. We show this first in a channel with a single retailer, where the channel with perfect information is preferred over the channel with inventory only if the marginal cost of production is sufficiently high. We also analyze a channel with an imperfectly reliable information system and find that if the manufacturer were to choose the precision of the demand information system, it might not prefer perfect information, even if such information was costless to acquire. In a channel with competing retailers, the channel with perfect information is preferred when retail competition is sufficiently intense. Thus, the presence of inventory can play a role in managing competition among retailers and in helping the manufacturers to appropriate surplus especially when retailers are sufficiently differentiated.

**Chakravarthi Narasimhan:** "Understanding Customer Level Profitability Implications of Satisfaction Programs" with Foster, Gupta and Niraj, forthcoming in **Journal of Business and Industrial Marketing**.

**Abstract:** This paper reports the results of a longitudinal study of a beverage distributor. Two satisfaction surveys were conducted before and after the launch of the program. Profitability was calculated using Activity Based Costing (ABC) principles. The link between changes in satisfaction and changes in profitability was analyzed. We find that implementation of the satisfaction program increased CS significantly, but a weighted least square analysis of the relationship between CS and customer profitability (CP) leads us to conclude that

it does not necessarily result in higher customer profits. CS is found to be positively related to sales volume and gross profits at the customer level. However a net profit measure of CP, derived after careful allocation of costs based on activities, shows a much more complex and non-linear pattern of relationship. There are several valuable lessons to be drawn from the study. First, the cost of increasing satisfaction could be substantial. A positive relationship between satisfaction and profitability, posited by most of the customer satisfaction literature, could reach its limit much sooner than generally believed. Second, allocating costs based on activities in serving the customers, and not merely on revenues is important since doing so results in a different and more complete profitability profile of customers, as we describe for our sample. Finally, the complexities and non-linearities in the CS-CP link that we documented in this study imply that satisfaction improvement efforts (and dollars) should be directed towards larger customers and customers who are already relatively highly satisfied.

## **OPERATIONS AND MANUFACTURING MANAGEMENT**

**Ling Dong:** "On the Integration of Production and Financial Hedging Decisions in Global Markets", with Q. Ding and P. Kouvelis, **Operations Research**, Issue 55(3), 470-489, 2007.

**Abstract:** We study the integrated operational and financial hedging decisions faced by a global company who has a production facility in one of the two markets it sells to. The company has to make capacity commitment before selling season starts, thus it faces demand uncertainty in both markets, as well as the currency exchange rate uncertainty in the selling season. Some of the demand risk can be hedged by delaying allocation of the capacity until the demand realization is observed; some of the currency risk can be hedged by buying financial options on currency exchange rate when capacity commitment is made. A mean-variance utility function is used to model the company's risk aversion in decision making. We derive the optimal capacity decision and financial option decision, and compare the impact of the capacity allocation option and the financial options on capacity commitment and the firm's performance.

**Panos Kouvelis:** "On the Integration of Production and Financial Hedging Decisions in Global Markets", with Q. Ding and L. Dong, **Operations Research**, Issue 55(3), 470-489, 2007.

Abstract: We study the integrated operational and financial hedging decisions faced by a global company who has a production facility in one of the two markets it sells to. The company has to make capacity commitment before selling season starts, thus it faces demand uncertainty in both markets, as well as the currency exchange rate uncertainty in the selling season. Some of the demand risk can be hedged by delaying allocation of the capacity until the demand realization is observed; some of the currency risk can be hedged by buying financial options on currency exchange rate when capacity commitment is made. A mean-variance utility function is used to model the company's risk aversion in decision making. We derive the optimal capacity decision and financial option decision, and compare the impact of the capacity allocation option and the financial options on capacity commitment and the firm's performance.

**Panos Kouvelis:** "Dynamic Pricing for multiple class deterministic demand fulfillment", with Q. Ding and J. Milner, **IIE Transactions** 39,997-1013, 2007.

Abstract: We consider how a firm should allocate inventory to multiple customer classes that differ based on the price they pay and their willingness to incur delay in fulfillment of their demand. The problem is set in a deterministic demand, economic-order-quantity-like environment with holding, backorder, lost demand and setup costs. The firm either fulfills demand or offers a price discount to induce the demand to wait for fulfillment from the next reorder. We determine the optimal policy and discuss how changes in various parameters affect profitability, customer service, and operational measures such as order frequency and base stock levels. We compare the results to a policy that only rations inventory without dynamic discounting and to a policy that only provides discounts. Through the comparison, we observe that dynamic pricing can be seen as a combination of a pricing mechanism which determines demand and an allocation mechanism that differentiates between customer classes, serving each one's needs. We show that if lower-value customers are distinguished by accepting reduced service, it is possible that both high and low-value customer classes see better levels of service under the optimal policy than under a discounting only policy. In addition we demonstrate the applicability of the results to a stochastic version of the problem.

**Panos Kouvelis:** "Inventory, speculation and sourcing strategies in the presence of online exchanges", with J. Milner, **Manufacturing Services Operations Management** 9,3,312-331, 2007.

Abstract: We study how online business-to-business (B2B) exchanges affect buyer-supplier relationships where an exchange takes the role of a secondary market in which buyers (of the initial product) can trade excess inventory to address supply and demand imbalances. Over the last several years, B2B exchanges have attempted to provide supply for storable industrial goods with some degree of design specification (as opposed to undifferentiated commodities). Through this research, we elucidate some aspects of how speculative online exchanges with a small number of participants might behave and the impact they will have on the use of long-term contracts for supply. By endogenizing the evolution of spot prices in response to buyers' and their supplier's actions, we produce price fluctuations that exhibit significant autocorrelation in such markets. We show that participating buyers accrue network benefits as the number of participating firms increases through the inventory-pooling effects, resulting in reduced costs for them. However, a supplier acting strategically will counteract such benefits by restricting availability of goods to the spot market, sacrificing short-term spot-market revenue for long-term contract volume.

**Fuqiang Zhang:** "Obtaining Fast Delivery in a Queuing System via Performance-Based Allocation of Demand", with G. Cachon, in **Management Science**, Issue 53 (3), 408-420, with G. Cachon, 2007

Abstract: Any buyer that depends on suppliers for the delivery of a service or the production of a make-to-order component should pay close attention to the suppliers' service or delivery lead times. This paper studies a queuing model in which two strategic servers choose their capacities/processing rates and faster service is costly. The buyer allocates demand to the servers based on their performance; the faster a server works, the more demand the server is allocated. The buyer's objective is to minimize the average lead time received from the servers. There are two important attributes to consider in the design of an allocation policy: the degree to which the allocation policy effectively utilizes the servers' capacities and the strength of the incentives the allocation policy provides for the servers to work quickly. Previous research suggests that there exists a tradeoff between efficiency and incentives, i.e., in the choice between two allocation policies a buyer may prefer the least efficient one because it provides stronger incentives. We find considerable variation in the performance of allocation policies: some intuitively reasonable policies generate essentially no competition among servers to work quickly whereas others generate too much competition, thereby causing some servers to refuse to work with the buyer. Nevertheless, the trade-off between efficiency and incentives need not exist: it is possible to design an allocation policy that is efficient and also induces the

servers to work quickly. We conclude that performance-based allocation can be an effective procurement strategy for a buyer as long as the buyer explicitly accounts for the servers' strategic behavior.

### **ORGANIZATIONAL BEHAVIOR**

**Markus Baer:** "The personality composition of teams and creativity: The moderating role of team creative confidence" with G.R. Oldham, G.C. Jacobsohn, & A.B. Hollingshead, forthcoming in **Journal of Creative Behavior**.

**Abstract:** We examined the possibility that teams composed primarily of individuals with personality characteristics conducive to team creativity (e.g., high extraversion, high openness to experience, low conscientiousness, high neuroticism, low agreeableness) would show synergistic increases in creativity when they experienced high levels of "team creative confidence", a shared understanding that the team is more creative than each team member individually. We tested these hypotheses using a sample of 145 three-student teams that worked on a set of idea generation tasks at Time 1 (T1) and a second set two weeks later at Time 2 (T2). As expected, results of cross-lagged regression analysis indicated that when team creative confidence at T1 was high, team creativity at T2 increased quadratically as the number of team members who scored high on extraversion, high on openness, or low on conscientiousness increased. However, the number of individuals composing a team who scored high on neuroticism or low on agreeableness had no relation to team creativity under conditions of high or low team creative confidence. Implications of these results for the design of creative teams are discussed.

**Kurt Dirks:** "Silence speaks volumes: The effectiveness of reticence in comparison to apology and denial for repairing integrity- and competence-based trust violations", with D.L. Ferrin, P.H. Kim, and C.D. Cooper, in the **Journal of Applied Psychology**, 92, 893-908, 2007.

**Abstract:** Prior research on responses to trust violations has focused primarily on the effects of apology and denial. We extend this research by studying another type of verbal response that is often used to respond to trust violations but has not been considered in the trust literature: reticence. An accused party may use reticence in a sincere and even legitimate attempt to persuade a trustor to withhold judgment. Yet, by considering information diagnosticity and belief formation mechanisms through which verbal responses influence trust, we argue that reticence is a suboptimal response because it combines the *least* effective elements of apology and denial. In particular, reticence is a suboptimal response to an integrity violation because, like apology, it fails to address guilt. Additionally, reticence is a suboptimal response to a competence violation because, like denial, it fails to signal redemption. Results from two laboratory studies, simulating different contexts and using research participants from two different countries, provided support for the prediction. The results offer important implications for those who might use reticence to respond to a perceived trust violation, and also for those who must judge another's reticence.

### **STRATEGY**

**Barak Aharonson:** "Desperately Seeking Spillovers? Increasing Returns, Social Cohesion and the Location of New Entrants in Geographic and Technological Space", with J.A.C. Baum and M.P. Feldman, **Industrial and Corporate Change**, Vol.16: 89-130.

**Abstract:** Using detailed data on Canadian biotechnology firms during the 1990s, we explore the geographic scope of knowledge spillovers and the balance spillover-seeking and expropriation-avoidance in entrants' locations. Our findings indicate that knowledge spillovers are highly localized, with entrants attracted to incumbents' R&D employees and spending within 500 m, but not further. We also find that two local contextual factors enhance the tendency toward spillover seeking. One is increasing returns to positive information externalities that accompany concentrations of technologically similar firms. The other is the entrepreneurial and open industrial organization that arises when incumbents with direct ties to universities concentrate geographically. Our findings provide empirical

evidence of forces promoting geographically concentrated and technologically specialized industrial micro-clusters, as well as factors reinforcing the significance of co-location for the creation of new knowledge.

**Anne Marie Knott:** "Firm R&D behavior and evolving technology in established industries, with Hart Posen, forthcoming in **Organization Science**.

**Abstract:** One of the key mechanisms of firms' strategic renewal is R&D, and a key driver of the intensity of R&D is industry context. A number of theories develop propositions linking industry factors to firm R&D behavior, but these theories lack consensus. To date empirical tests have been unable to resolve the competing predictions due to lack of time-varying measures of technology. We create new measures for technology then conduct a test of the competing theories. Our results indicate that the data best match a model of innovative behavior in which firms invest in R&D principally to regain eroded advantage rather than to pursue the new frontier.

**Jackson Nickerson:** "Interorganizational-trust: the Choice of Make, Buy, or Ally; and the Performance of Interorganizational Relationships in the U.S. Auto Industry," with Ranjay Gulati, forthcoming **Organization Science**.

**Abstract:** This paper looks at when and how preexisting interorganizational trust influences the choice of governance and in turn the performance of exchange relationships. We theorize that preexisting interorganizational trust complements the choice of governance mode (make, ally, or buy) and also promotes substitution effects on governance mode choice while impacting exchange performance. We evaluate hypotheses using a novel three-stage switching regression model and a sample of 222 component-sourcing arrangements of two assemblers in the automobile industry. Analysis of our data broadly supports our hypotheses. High levels of preexisting interorganizational trust increased the probability that a less formal, and thus less costly, mode of governance was chosen over a more formal one. This finding suggests a substitution effect of interorganizational trust on governance mode choice that in turn shapes exchange performance. We also found a complementary effect of trust on performance: regardless of the governance mode chosen for an exchange, trust enhanced exchange performance. Additional evidence of the complementary effect of trust on performance was that trust somewhat reduced interorganizational conflict.

**Jackson Nickerson:** "The 'problem' of creating and capturing value," with Brian Silverman and **Todd Zenger**, **Strategic Organization**, 5, 3(2007): 211-225.

**Abstract:** In this essay, we hope to plant the seeds for a new approach to research in strategic organization. Our agenda is three pronged. First, we propose that the problem-solving perspective (PSP) offers a particularly effective lens for an emphasis on value creation. The PSP takes elements of the "problem" as the unit of analysis for the study of strategic and organizational questions, and decomposes managerial challenges into problem identification, search for problem solution, and creation of strategies for appropriating returns accruing to the solution. To the extent that problem identification overlaps with value creation, the PSP can fruitfully guide research in this area. Second, we lay out our assessment of the key theoretical elements necessary to understand problem identification. The primary requirement is that strategy scholars pay more heed to *processes* that enable actors to deliberately find new sources of value instead of relying on luck to do so. Central to the perspective is recognition of organizational processes that overcome biases -- cognitive, motivational, and informational -- that contaminate the finding of new sources of value. Third, we make some initial steps at developing a research roadmap by categorizing various problem identification processes and proposing guideposts for systematic research on this question.

**Jackson Nickerson:** "Problem Solving and the Entrepreneurial Theory of the firm," with Chih-mao Hsieh and **Todd Zenger**, forthcoming in **Journal of Management Studies**.

**Abstract:** When should an entrepreneur employ a market to help discover and exploit opportunities, and when should the entrepreneur create a firm to do so? If a firm is created, how should it be organized? In this paper we argue that opportunities equate to valuable problem-solution pairings, and that opportunity discovery relates to deliberate search or recognition over this solution space. As problem complexity increases, directional search via trial-and-error provides fewer benefits, and heuristic search via theorizing becomes more useful. Heuristic search, however, requires knowledge sharing, when knowledge is distributed among specialists, that is plagued by a knowledge appropriation hazard and a strategic knowledge accumulation hazard. Markets, authority-based hierarchy, and consensus-based hierarchy then have differential effects on the efficiency of opportunity discovery given the complexity of the associated problem. Those entrepreneurs with exceptional capabilities of opportunity recognition can efficiently adopt authority-based governance over a wider

range of complexity. We thus combine the two major modes of opportunity discovery—search and recognition—onto one framework that can explain different entrepreneurial organizational forms, resulting in an entrepreneurial theory of the firm.

**Jackson Nickerson:** “Strategic Management of R&D Pipelines with Co-specialized Investments and Technology Markets,” with **Tat Chan** and Hideo Owan, **Management Science**, 53, 4(2007): 667-682.

**Abstract:** The theoretical literature on managing R&D pipeline is largely based on real option theory making decisions about undertaking, continuing, or terminating projects. The theory typically assumes that each project or causally related set of projects is independent. Yet, casual observation suggests that firms expend much effort on “managing” and “balancing” its R&D pipeline, where managing appears to be related to the choice of R&D selection thresholds, project risk and whether to buy or sell projects to fill the pipeline. Not only do these policies appear to differ across firms, they also appear to vary over time for the same firm. Changes in management policies suggest that the choice of R&D selection thresholds is a time-varying strategic decision and there may be some type of vertical interdependency among R&D projects in different stages. In this paper we develop a model using dynamic programming techniques that explains why firms vary in their R&D project management policies. The novelty and value of our model derives from the central insight that some firms invest in downstream co-specialized activities that would incur substantial adjustment costs if R&D efforts are unsuccessful while other firms have no such investment. If transaction costs in technology markets are positive, which implies that accessing the market for projects is costly, these investments lead to state-contingent project selection rules that create a dynamic and vertical interdependency among R&D activities and product mix. We describe how choices of R&D selection thresholds, preferences over project risk, and use of technology markets for the buying and selling of projects differ by the state of the firm’s pipeline, the magnitude of transaction costs in the adjustment market, and the magnitude of technology costs. These results yield interesting managerial implications and public policy.

**Todd Zenger:** “Dealing with the Paradox of Embeddedness: The Role of Contracts and Trust in Facilitating Movement out of Committed Relationships”, with Sergio Lazzarini and Gary Miller , forthcoming in **Organization Science**.

**Abstract:** When there are constantly new, valuable opportunities to transact with alternative partners—a situation we refer to as exchange value uncertainty—long-term or committed transactions among the same individuals are discouraged. But when opportunism creates exchange hazards, which escalate in non-recurring transactions, individuals will be reluctant to take full advantage of the gains from switching to more valuable partners, thereby leading to “overembedded” exchanges. Instead of embracing new, valuable exchanges with strangers whose propensity to cooperate is uncertain, individuals may prefer to preserve recurring ties with familiar actors. Two mechanisms may encourage movement out of committed relationships in those conditions. First, formal contracts should serve as a safeguard to market participants, in the sense that they limit potential losses due to opportunistic behavior. Second, trust in general others (as opposed to trust in familiar people) reduces participants’ perception of hazards in market exchanges and hence promotes transactions among strangers. By increasing the propensity to initiate new exchanges, general trust also diminishes the role of contracts in causing movement out of committed relationships. In this paper, we present experimental evidence largely consistent with this theory of the interplay between formal and informal mechanisms in the determination of social mobility.

**Todd Zenger:** “Are Capability-based Theories of Firm Boundaries Really Distinct from Transaction Cost Theory?” **Academy of Management Best Paper Proceedings**, 2007.

**Abstract:** A large literature has developed over the past 10 years or so that attempts to compare transaction cost and capabilities explanations of firms’ vertical boundaries. Much of this literature has treated comparative capabilities (buyers’ vs. potential suppliers’) as determinants that are independent of transaction costs, based on the idea that capabilities theories of the firm are distinct from the transaction cost theory of the firm. In this commentary, we argue that this approach is mistaken. We argue that capabilities and transaction cost determinants interact with other dynamically, and that the two theories of the firm cannot be conceptually distinguished. Our argument carries implications for theories of the firm, and for empirical research aimed at testing those theories.

## BOOKS & CONFERENCE VOLUMES

### MARKETING

**Tat Chan:** "Structural Models of Pricing", co-authored with Vrinda Kadiyali and Ping Xiao. Forthcoming in the *Handbook of Research in Pricing* (edited by Vithala Rao)

**Chakravarthi Narasimhan:** "Trade Promotions" a chapter forthcoming in an Edited Volume *Handbook of Research on Pricing*.

### STRATEGY

**Barak Aharonson:** "When do Networks Matter? A Study of Tie formation and Decay", with A.V. Shipilov and T.J. Rowley, *In Advances in Strategic Management*, Vol. 23. Joel A.C. Baum, Stanislav D. Dobrev, Arjen van Witteloostuijn. Eds.

## CONFERENCE ACCEPTANCES/PRESENTATIONS

### ACCOUNTING

**Sudarshan Jayaraman:** Presented "Product Market Competition, Industry Homogeneity and the Demand for Audit Services", at the American Accounting Association Annual Conference in Chicago, IL in August 2007.

**Sudarshan Jayaraman:** Presented "Product Market Competition, Industry Homogeneity and the Demand for Audit Services", at the Center for Corporate Reporting and Governance (CCRG) Conference at Cal State Fullerton, CA in September 2007.

**Sudarshan Jayaraman:** Will present "Earnings Volatility, Cash Flow Volatility and Informed Trading" at Rutgers University, East Brunswick, NJ in October 2007.

**Ron King:** Presented "Delegated bargaining: The gatekeeper ultimatum game" at the Conference of International Society for New Institutional Economics in June 2007.

**Ron King:** Presented "Delegated bargaining: The gatekeeper ultimatum game" at the Experimental Science Meetings in 2007.

**Raj Mashruwala:** Presented "Generic Strategies and Sustainability of Financial Performance" at the American Accounting Association Annual Meeting in Chicago, IL on August 7, 2007.

**Tzachi Zach:** Presented "The impact of a heterogeneous accrual-generating process on empirical accrual models", co-authored with Nick Dopuch and Chandra Seethamraju, at the University of Toronto Accounting Conference on ?

**Tzachi Zach:** Presented “The impact of a heterogeneous accrual-generating process on empirical accrual models”, co-authored with Nick Dopuch and Chandra Seethamraju, at the American Accounting Association Annual Meeting in Chicago, IL in August 2007.

### ECONOMICS

**Amanda Friedenberg:** Presented "Admissibility in Games" at Caltech in April 2007.

**Amanda Friedenberg:** Presented "Terminal Type Structures" at European Econometric Society Meetings in August 2007.

**Jeroen Swinkels:** Will present “Procurement with Preferred Providers”, joint with **Vlad Mares**, at the Midwest Math-Econ meetings in October 2007.

**Jeroen Swinkels:** Will present “Procurement with Preferred Providers”, joint with **Vlad Mares**, at Texas in October 2007.

**Jeroen Swinkels:** Will present “Procurement with Preferred Providers”, joint with **Vlad Mares**, at Oxford in October 2007.

### FINANCE

**Radhakrishnan Gopalan:** Presented “Large Shareholders and Takeover: The Disciplinary Role of Voting With Your Feet” at the European Financial Management Association Symposium at Bocconi University in May 2007.

**Radhakrishnan Gopalan :** Presented “Do Business Groups Use Dividends to Fund Investments?”, joint with Vikram Nanda and Amit Seru, at the Summer Research Conference at the Indian School of Business, Hyderabad, India on August 11, 2007.

**Radhakrishnan Gopalan :** Presented “Why Do Firms Switch Banks?”, joint with Gregory Udell and Vijay Yerramilli, at the Annual Meeting of the European Finance Association held in Ljubljana, Slovenia on August 22-25, 2007.

**Radhakrishnan Gopalan :** Will present “Market Liquidity, Investor Participation and Managerial Autonomy: Why do Firms Go Private?”, joint with Arnoud Boot and **Anjan Thakor**, at the Annual Meeting of the American Finance Association to be held in New Orleans on January 4-6, 2008.

**Radhakrishnan Gopalan :** Will present “Why Do Firms Switch Banks?”, joint with Gregory Udell and Vijay Yerramilli, at the Annual Meeting of the American Finance Association to be held in New Orleans on January 4-6, 2008.

**Todd Gormley:** Presented “Banking Competition in Developing Countries: Does Foreign Bank Entry Improve Credit Access” at the Western Finance Association Annual Meeting, Big Sky, Wyoming on June 25, 2007.

**Todd Gormley:** Presented “Corporate Bonds: A Spare Tire in Emerging Markets?” at the Center for Economics Policy Research Summer Research Conference in Corporate Finance, Gerzensee, Switzerland on July 27, 2007.

**Todd Gormley:** Will present “Costly Information, Foreign Entry, and Credit Access” at the upcoming American Finance Association Conference in New Orleans, Louisiana from Jan. 3-6, 2008.

**Dirk Hackbarth:** Presented “Corporate Bond Credit Spreads and Forecast Dispersion”, with L. Güntay at the European Finance Association Annual meetings in Ljubljana, Slovenia on August 22-25.

**Dirk Hackbarth:** Presented “The Dynamics of Mergers and Acquisitions in Oligopolistic Industries”, with J. Miao at the European Finance Association Annual meetings in Ljubljana, Slovenia on August 22-25.

**Dirk Hackbarth:** Presented “The Dynamics of Mergers and Acquisitions in Oligopolistic Industries” with J. Miao at the University of British Columbia Summer Finance Conference in Whistler, Canada. July 29-31.

**Anjan Thakor:** Presented “Bank Capital and Value in the Cross-Section”, with Hamid Mehran, at the University of Venice, Italy in July 2007.

**Anjan Thakor:** Presented “Bank Capital and Value in the Cross-Section”, with Hamid Mehran, at the University of Bologna, Italy in July 2007.

**Anjan Thakor:** Presented “Managerial Autonomy, Allocation of Control Rights, and Optimal Capital Structure”, with Arnoud Boot at The University of Oxford in May 2007.

**Anjan Thakor:** Presented “The Paradox of Growth”, at the PAEX Network Meeting of Brazilian CEOs, Belo Horizonte, Brazil in October 2007.

**Guofu Zhou:** Presented “Technical Analysis and Theory of Finance” at Fudan University in June 2007.

**Guofu Zhou:** Presented “Technical Analysis and Theory of Finance” at Renmin University of China in June 2007.

**Guofu Zhou:** Presented “Technical Analysis and Theory of Finance” at the 2007 China International Conference in Finance in July 2007.

**Guofu Zhou:** Presented “Technical Analysis and Theory of Finance” at the 2007 European Finance Association Annual Meetings in August 2007.

## **MARKETING**

**Tat Chan:** Presented “Impact of Treatment Effectiveness and Side-effects on Prescription Decisions: The Role of Patient Heterogeneity and Learning”, co-authored with **Chakravarthi Narasimhan** and **Ying Xie**, at the Marketing Science Conference at Singapore Management School, June 2007.

**Tat Chan:** Presented “Impact of Treatment Effectiveness and Side-effects on Prescription Decisions: The Role of Patient Heterogeneity and Learning”, co-authored with **Chakravarthi Narasimhan** and **Ying Xie**, at the 5<sup>th</sup> Summer Institute in Competitive Strategy Conference at University of California, Berkeley, July 2007.

**Tat Chan:** Presented “Impact of Treatment Effectiveness and Side-effects on Prescription Decisions: The Role of Patient Heterogeneity and Learning”, co-authored with **Chakravarthi Narasimhan** and **Ying Xie**, at Fuqua School of Business, Duke University, September 2007.

**Tat Chan:** Presented “Using Expectations Data to Infer Managerial Objectives and Choices”, co-authored with **Barton H. Hamilton** and Chris Makler, at University of British Columbia in September 2007.

**Tat Chan:** Will present "Using Expectations Data to Infer Managerial Objectives and Choices", co-authored with **Barton H. Hamilton** and Chris Makler, at the 5<sup>th</sup> Quantitative Marketing & Economics Conference at Chicago University in October 2007.

**Chakravarthi Narasimhan:** Presented "Connectivity and interconnectivity: When value creation may hurt a company", with He and Kuksov, at the Marketing Science Conference in Singapore on June 28-June 30, 2007.

**Chakravarthi Narasimhan:** Presented "Impact of Treatment Effectiveness and Side-effects on Prescription Decisions: The Role of Patient Heterogeneity and Learning" with **Tat Chan** and **Ying Xie**, at the "Customer Insights" Conference at Yale on May 11-May 12, 2007.

**Chakravarthi Narasimhan:** Presented "Impact of Treatment Effectiveness and Side-effects on Prescription Decisions: The Role of Patient Heterogeneity and Learning", with **Tat Chan** and **Ying Xie**, at the Summer Institute for Competitive Strategy Conference at the University of California, Berkeley on July 16-July 20, 2007.

#### **OPERATIONS AND MANUFACTURING MANAGEMENT**

**Sergio Chayet:** Presented "Product Variety and Congested Production Systems: Capacity Investments and Vertical Differentiation", at the Sauder School of Business, University of British Columbia, Vancouver, BC, Canada on September 10, 2007.

**Sergio Chayet:** Will present "Product Variety and Congested Production Systems", Marshall School of Business, University of Southern California, Los Angeles, CA. on October 5, 2007.

**Sergio Chayet:** Will present "Product Variety and Congested Production Systems", at the "Customer-Oriented Operations Models" mini-conference, sponsored by the Boeing Center, to be held at Olin on October 19 and 20, 2007.

**Sergio Chayet:** Will present "Product Variety and Congested Production Systems" at the Stern School of Business, New York University, New York, NY on October 26, 2007.

**Sergio Chayet:** Will present "Product Variety, Markets, and Operational Tradeoffs", Invited Session Chair, within the Manufacturing & Service Operations Management Society, Institute for Operations Research and the Management Sciences (INFORMS) Annual Meeting, in Seattle, WA on November 4, 2007.

**Sergio Chayet:** Will present "Congested Production Systems: Capacity Investments and Vertical Differentiation", with Panos Kouvelis and Dennis Yu, at the invites session, Institute for Operations Research and the Management Sciences (INFORMS) Annual Meeting in Seattle, WA on November 4, 2007.

**Ling Dong:** Presented "Operational Hedging Strategies and Competitive Exposure to Exchange Rates" at the Fourth Mini-Conference on Integrated Risk Management in Operations and Global Supply Chain Management in St. Louis on June 1-2, 2007.

**ORGANIZATIONAL BEHAVIOR**

**Markus Baer:** Presented “The implementation of radical idea in organization, at the Annual Meeting of the Academy of Management, Organizational Behavior Division, Philadelphia, PA in August 2007.

**Stuart Bunderson:** Presented “Why Power Asymmetry Doesn’t Always Stifle Team Learning”, with Simon B. DeJong, Gerben S. Van der Vegt, and Eric Molleman at the Annual Meetings of the Academy of Management, Philadelphia, PA on August 6-8, 2007.

**Stuart Bunderson:** Presented “Shaping Social Networks through Employment Relationships: A Psychological Contract Perspective”, with Jeffery A. Thompson, Jeffrey Bednar, and James Oldroyd, at the Annual Meetings of the Academy of Management, Philadelphia, PA. on August 6-8, 2007.

**Kurt Dirks:** Presented “How do we translate trust research into practice?” at the Annual Meeting of the Academy of Management Meeting, Philadelphia, PA. August, 2007.

**Kurt Dirks:** Presented “The repair of interpersonal trust: Strategies and mechanisms” at the London Business School, research seminar, June, 2007.

**Chris Long:** Presented “Lying in the Bed You Make: How Subordinates Monitor Their supervisor’s Efforts to Promote Fairness”, with C. Bendersky and C. Morrill, at the Academy of Management (AOM) Meetings in Philadelphia, PA in August 2007.

**Chris Long:** Presented “An Information Processing Perspective on Organizational Control: A Computational Model of System-Level Effects”, with S. B. Sitkin, L.B. Cardinal and R. M. Burton at the Academy of Management (AOM) Meetings in Philadelphia, PA in August 2007.

**STRATEGY**

**Barak Aharonson:** Presented “The Structural Evolution of Multiplex Organizational Networks: Research and Commerce in Biotechnology”, with T. L. Amburgey, A. Al-Laham and D. Tzabbar at the Network Strategy Conference in Toronto on May 25, 2007.

**Barak Aharonson:** Presented “Organizational Exploration via Individuals’ Exploitative Search”, with D. Tzabbar and B.S. Silverman at the Academy of Management Conference in Philadelphia on August 6, 2007.

**Dan Elfenbein:** Presented “A Greater Price for a Greater Good? The Charity Premium in Online Auctions”, joint with **Brian McManus** at the Academy of Management, Philadelphia, PA in August 2007.

**Dan Elfenbein:** Presented “A Greater Price for a Greater Good? The Charity Premium in Online Auctions”, joint with **Brian McManus** at the Atlanta Conference on Competitive Advantage, Atlanta, GA in June 2007.

**Dan Elfenbein:** Will present “A Greater Price for a Greater Good? The Charity Premium in Online Auctions”, joint with **Brian McManus** at the Annual Allied Social Science Associations Meeting, New Orleans, LA in January 2008.

**Anne Marie Knott:** Present “Causes and Consequences of Entrepreneurial Entry in Bail Bonds” at the Annual Institute for Operations Research and the Management Sciences (INFORMS) Conference, Seattle, WA on November 4, 2007.

**Jackson Nickerson:** Presented “Exploring the Information Asymmetry Gap: Evidence from FDA Regulations”, with Jeffrey Macher and John Mayo, at International Society for New Institutional Economics at Reykjavik, Iceland in June 2007.

**Jackson Nickerson:** Presented “The Problem Finding and Solving Perspective” at University Sao Paulo, Brazil in September 2007. Keynote speaker, II Research Workshop on Institutions and Organizations.

**Jackson Nickerson:** Presented “Finding the right problem: Process design goals for finding, framing and formulating ill-structured problems”, joint with Markus Baer and Kurt Dirks at the Ross School of Business, University of Michigan on October 5, 2007.

**Todd Zenger:** Presented “Are Capability-based Theories of Firm Boundaries Really Distinct from Transaction Cost Theory?” at the Academy of Management meetings in Philadelphia, PA in August 2007.

## HONORS

### ORGANIZATIONAL BEHAVIOR

**Kurt Dirks:** On the editorial board of **Organizational Behavior and Human Decision Processes**.

**Kurt Dirks:** Elected as Representative-at-large for the Conflict Management Division of the **Academy of Management**, 2007-2009

### OPERATIONS AND MANUFACTURING MANAGEMENT

**Sergio Chayet:** Received the Reid Teaching Award for core courses in the MBA program on May 18, 2007.

**Sergio Chayet:** Received the Reid Teaching Award for core courses, PMBA program September 8, 2007.

**Ling Dong:** Senior editor for **Production and Operations Management Journal**.

### STRATEGY

**J. Lamar Pierce:** His research was featured in the “Research Briefs” column of the Business Week online magazine. The article was part of the e-magazine’s “Top Stories” for B-Schools for the week of October 8.

## **EVENTS**

### **ACCOUNTING**

#### **2007 Nicholas Dopuch Accounting Conference November 9-10, 2007**

Each November for the past 10 years, the accounting faculty at Washington University, Olin School of Business, has hosted an annual accounting mini conference. The purpose of the conference is to create an environment in which accounting research would be the focal point for a 24-hour period. Thus, the conference begins with lunch on Friday and ends the next day at lunch. Historically, 3 to 6 accounting scholars from within and outside of the Olin community have been invited to present their research to an intimate audience of Olin faculty and their select guests. The extraordinary list of scholars who have participated in the past conferences are too numerous to name; however, their involvement has significantly enhanced the quality of this event, and we appreciate their efforts.

In 2006, Washington University and the Olin School of Business dedicated the accounting conference in honor of Nick Dopuch, who retired that year, and renamed it the "Nicholas Dopuch Accounting Conference". It has been a great privilege to work with Nick, and the accounting department at the Olin School will not be the same without him. We admire all that he has accomplished during his professional career.

#### **Knight Center Conference Schedule**

The conference will start with lunch at 12 pm on November 9, 2007 and end at around 2 pm on Saturday. The presenters will be: Ray Ball (University of Chicago), Rob Bloomfield (Cornell University), Richard Frankel (Washington University), Thomas Lys (Northwestern University), Joe Weber (MIT) and Tzachi Zach (Washington University).

The final schedule has not been set yet.

### **FINANCE**

#### **FOURTH ANNUAL CONFERENCE ON CORPORATE FINANCE November 15-16, 2007**

Following the successes of the 2004, 2005 and 2006 corporate finance conferences, The John M. Olin School of Business at Washington University and the Center for Research in Economics and Strategy (CRES) will be co-hosting the fourth annual conference titled Corporate Finance, November 15-16, at the Washington University in St. Louis campus.

The topics of interest for the conference are broad, including mergers and acquisitions, private equity, corporate control and organization, international issues in corporate finance, capital structure, behavioral aspects of finance, corporate investment decisions, and corporate governance. This is not an exhaustive list, and empirical and theoretical papers on these, as well as related topics, are most welcome.

The organizing committee consists of Armando Gomes (Washington University School of Business), David Levine (Washington University Economics), Todd Milbourn (Washington University School of Business), Anjan Thakor (Washington University School of Business) and S. Viswanathan (Duke University). Those submitting papers will be informed of the committees decision by August 31, 2007.

*The conference organizers will pay room and board expenses during the conference for those participating in the conference as a presenter, discussant, or chairperson, but participants are responsible for their own travel expenses. We look forward to an exciting conference and hope you will submit your paper for consideration.*

**FOURTH ANNUAL CONFERENCE ON CORPORATE FINANCE**  
**November 15-16, 2007**

*Schedule Details will be available soon*

*2007 Accepted Papers*

1. "A Calibratable Model of Optimal CEO Incentives in Market Equilibrium," **Xavier Gabaix**, *New York University*, **Alex Edmans**, *University of Pennsylvania* and **Augustin Landier**, *New York University*
2. "Concentrating on Governance," **Dalida Kadyrzhanova**, *University of Maryland* and **Matthew Rhodes-Kropf**, *Columbia University*
3. "Control Motivations and Capital Structure Decisions," **Andrew Ellul**, *Indiana University*
4. "Control Rights and Capital Structure: An Empirical Investigation," **Amir Sufi**, *University of Chicago* and **Michael R. Roberts**, *University of Pennsylvania*
5. "Corporate Fraud and Business Conditions: Evidence from IPOs," **Tracy Wang**, *University of Minnesota*, **Andrew Winton**, *University of Minnesota* and **Xiaoyun Yu**, *Indiana University*
6. "Corporate Governance, Debt and Investment Policy during the Great Depression," **John Graham**, *Duke University*, **Sonali Hazarika**, *City University of New York*, and **Krishnamoorthy Narasimhan**, *J.P. Morgan*
7. "Financial Contracting and the Specialization of Assets," **Robert Marquez**, *Arizona State University* and **Deniz Yavuz**, *Arizona State University*
8. "Going Public and Going Private: What Determines the Choice of Ownership Structure?," **Hadiye Aslan**, *University of Houston* and **Praveen Kumar**, *University of Houston*
9. "On the Lifecycle Dynamics of Venture-Capital and Non-Venture-Capital-Financed Firms," **Manju Puri**, *Duke University* and **Rebecca Zarutskie**, *Duke University*
10. "Pay Distribution in the Top Executive Team," **Lucian Bebchuk**, *Harvard University*, **Martijn Cremers**, *Yale University*, and **Urs Peyer**, *INSEAD*
11. "Stapled Finance," **Paul Povel**, *University of Minnesota* and **Rajdeep Singh**, *University of Minnesota*
12. "Winning by Losing Evidence on Overbidding in Mergers," **Ulrike Malmendier**, *University of California-Berkeley* and **Enrico Moretti**, *University of California-Berkeley*

**OMM**

**The Fourth Mini-Conference on Integrated Risk Management in Operations and Global Supply Chains**

**Boeing Center on Technology, Information and Manufacturing  
at Olin School of Business, Washington University-St. Louis  
and**

**Department of Industrial and Operations Engineering, University of Michigan**

**June 1-2, 2007  
St. Louis, Missouri**

**The Global Supply Chain Management (GSCM) research field** has been expanding its horizons both in terms of thematic coverage and research tools employed. In the last decade GSCM has reoriented its focus beyond the traditional study of complicated global logistics issues and towards the development of ***Integrated Risk Management (IntRIM)*** approaches to handle the multiplicity and magnitude of risk factors, such as demand and supply uncertainty, volatile exchange rates and other macroeconomic factors, and uncertain commodity prices faced by operations managers operating complex, and often outsourced, supply chains in a global network economy. These approaches are of a ***cross-functional nature*** building upon a better understanding of the ***interfaces of operational and financial decisions***, and effectively leveraging the institutional richness of research in the fields of finance and operations.

The ***Fourth Mini-Conference on Integrated Risk Management in Operations and Global Supply Chain Management***, building upon the success of previous mini-conferences at Washington University and The University of Michigan, was intended to facilitate and stimulate interactions and knowledge sharing mostly among academic researchers, but with some selective industry speaker presence to discuss the interfaces and gaps between academic and industry, on important issues of **risk management in SCM**. The conference featured a single track of presentations that combined technical presentations, industry practices, and discussions on relevant challenges and approaches in the topic area. The format was setup to facilitate a thought leadership conference that goes beyond stimulating research presentations to constructively challenge current practices and research paradigms, while giving the opportunity for productive interactions among speakers and other conference participants.

The conference was sponsored by **Boeing Center on Technology, Information and Manufacturing (BCTIM) at Olin School of Business, Washington University-Saint Louis, and is jointly organized by BCTIM and the Department of Industrial and Operations Engineering of University of Michigan.**

Among the topics covered by the speakers and discussants were:

- Risk Preferences and Global Supply Chains
- Interfaces of Operational and Financial Decisions
- Financial Hedging and Implications for Operations
- Information and Risk Management
- Industrial Applications of Integrated Risk Management
- Integrated risk management & the Global Environment

Distinguished **speakers and discussants:**

Vlad Babich	University of Michigan
Onur Boyabatli	INSEAD
John Birge	University of Chicago
Metin Cakanyildirim	UT Dallas
Lingxiu Dong	Washington University
Debra Elkins	General Motors
Genaro Gutierrez	UT Austin
Suzhou Huang	Ford Motors
Steve Kou	Columbia University
Rong Li	Singapore Management University
Jussi Keppo	University of Michigan
Panos Kouvelis	Washington University
Bryan Routledge	Carnegie Mellon University
Parkash Shimpi	Towers Perrin
Matt Sobel	Case Western Reserve University
Jeffrey Williams	UC Davis
Yi Xu	University of Miami

**Conference Organizing Committee:** Panos *Kouvelis* and Lingxiu Dong, Washington University in St. Louis; Romesh Saigal, Vlad Babich, and Jussi Keppo, University of Michigan; Nicola Secomandi, Carnegie Mellon University

## WORKSHOPS HELD

### ACCOUNTING

Thursday, April 5, 2007	Ron Shalev (Columbia Business School) "Recognition of Non-Amortizable Intangible Assets in Business Combinations"
Tuesday, May 15, 2007	S.P. Kothari ( <i>Massachusetts Institute of Technology</i> ) "Do Managers Withhold Bad News?" <a href="#">KSW_bad_news_paper_-_March_30_2007_(2).pdf</a>
Monday, September 17, 2007	Jerold Zimmerman ( <i>University of Rochester</i> ) "The Joint Effects of Materiality Thresholds and Voluntary Disclosure Incentives On Firms' Disclosure Decisions"
Friday, September 28, 2007	Feng Li ( <i>University of Michigan</i> ) "Corporate Governance When Founders are Directors"

Friday, October 19, 2007	Emre Karaoglu (University of Southern California - Marshall) "TBA"
Friday, November 16, 2007	Russell Lundholm (University of Michigan) "TBA"
Friday, November 30, 2007	Robert Bushman (University of North Carolina) "TBA"
Friday, December 07, 2007	Ivy Zhang (University of Minnesota) "TBA"
Friday, December 14, 2007	Gregory Miller (Harvard Business School) "TBA"

**ECONOMICS/STRATEGY/CRES**

Monday, April 2, 2007	Alejandro Manelli (Arizona State University) "Comparative Statics, English Auctions, and the Stolper-Samuelson Theorem"
Wednesday, April 04, 2007	Luke Froeb (Vanderbilt) "Mergers Among Firms that Compete by Setting Price & Promotion"
Monday, April 09, 2007	Carliss Baldwin (Harvard Business School) "Architectural Innovation & Dynamic Competition: The Smaller "Footprint" Strategy"
Monday, April 9, 2007	Bruce Weinberg (Ohio State University) "Geography and Innovation: Evidence from Nobel Laureate Physicists"
Thursday, April 19, 2007	Igal Hendel (Northwestern University) "The Relative Performance of Real Estate Marketing"
Monday, April 23, 2007	Bruno Cassiman (IESE Business School) "Product Innovation and Exports"

Wednesday, May 09, 2007	Bob Gibbons (MIT) "What Do Managers Do? Suggestive Evidence & Potential Theories About Building Relationships"
Wednesday, September 19, 2007	Greg Lewis (Harvard University) "Asymmetric Information, Adverse Selection & Seller Disclosure on eBay Motors"
Wednesday, September 26, 2007	Alejandro Manelli (Arizona State University) "Bayesian and Dominant-Strategy Incentive Compatibility in the Independent Private Values Model "
Wednesday, October 03, 2007	Panle Jia (MIT) <a href="#">"What Happens When Wal-Mart Comes To Town: An Empirical Analysis of the Discount Retailing Industry"</a>
Tuesday, October 09, 2007	Ray Fisman (Columbia Business School) "Uncovering Illicit trade through Asymmetric Reporting Incentives"
Wednesday, October 17, 2007	Alberto Salvo (Kellogg School of Management ) <a href="#">"Inferring Conduct Under the Threat of Entry: The Case of the Brazilian Cement Industry"</a>
Wednesday, October 24, 2007	Andrew von Nordenflycht (Simon Fraser University) "The Demise of the Partnership? The Emergence & Diffusion of Publicly-traded Professional Service Firms"
Wednesday, October 31, 2007	Amil Petrin (Graduate School of Business University of Chicago)
Wednesday, November 07, 2007	Steve Tadelis (University of California – Berkeley)
Wednesday, November 14, 2007	Christopher Knittel (University of California – Davis)
Wednesday, November 28, 2007	Jeff Macher (Georgetown University) "Technological Development at the Boundaries of the Firm: A Knowledge-Based Examination in Drug Development"
Wednesday, December 05, 2007	Federico Ciliberto (University of Virginia)

**FINANCE**

Friday, April 6, 2007	Vikram Nanda (Arizona State University) <a href="#">ceo_nanda.pdf</a> "Are Incentive Contracts Rigged By Powerful CEOs?"
Friday, April 13, 2007	Guofu Zhou (Washington University in St. Louis) <a href="#">Zhou_Workshop.pdf</a> "Technical Analysis and Theory of Finance"
Friday, April 20, 2007	Bruce Ian Carlin (Duke University) <a href="#">carlin_jobmarket.pdf</a> "Strategic Price Complexity in Retail Financial Markets"
Friday, April 27, 2007	Christopher Hennessy (University of California-Berkeley) <a href="#">WASHU1.pdf</a> "A Dynamic Theory of the Corporate Finance Based Upon Repeated Signaling"
Wednesday, May 2, 2007	Alon Brav (Duke University) <a href="#">Hedge Fund Activism Brav Jiang Partnoy Thomas.pdf</a> "Hedge Fund Activism, Corporate Governance, and Firm Performance"
Friday, May 11, 2007	Alexander Ljungqvist (NYU-Stern) "Rewriting History"
Tuesday, September 11, 2007	Michael S. Weisbach (University of Illinois) "Why are Buyouts Levered? The Financial Structure of Private Equity Funds"
Friday, September 14, 2007	David Hirshleifer (University of California-Irvine) <a href="#">Misval-Investment_2007_8_22_v2-Paper.pdf</a> ""Stock Market Misvaluation and Corporate Investment""
Friday, September 21, 2007	Brad M. Barber (University of California-Davis) <a href="#">SSRN-id529063.pdf</a> ""Do Individual Day Traders Make Money? Evidence from Taiwan""
Friday, September 28, 2007	Russell Wermers (University of Maryland) <a href="#">BWV-9-24-07_final.pdf</a> ""Analyst Recommendations, Mutual Fund Herding, and Overreaction in Stock Prices""

Friday, October 5, 2007	Luc Laeven ( <i>International Monetary Fund</i> ) <a href="#">bank_stability_4_14.pdf</a> "Corporate Governance, Regulation, and Bank Risk Taking"
Friday, October 12, 2007	David Mauer ( <i>Southern Methodist University</i> ) <a href="#">MqrMS_10-07.pdf</a> "Managerial Discretion, Agency Costs, and Capital Structure"
Friday, October 19, 2007	Ravi Bansal (Duke University) "TBA"
Friday, October 26, 2007	Murillo Campello (University of Illinois) "Do Stock Prices Influence Corporate Decisions? Evidence from the Technology Bubble"
Tuesday, October 30, 2007	Darren J. Kisgen (Carroll School of Management) "Are Fairness Opinions Fair? The Case of Mergers and Acquisitions"
Wednesday, November 14, 2007	Heitor Almeida (NYU-Stern) "TBA"
Tuesday, November 20, 2007	Martin Lettau (Columbia University) "The Term Structures of Equity and Interest Rates"
Friday, November 30, 2007	Ronald Giammarino (UBC – Sauder) "TBA"
Friday, December 7, 2007	Matthew Spiegel (Yale University) "TBA"

**MARKETING**

Friday, April 13, 2007	Steve Shugan ( <i>University of Florida</i> ) "Marketing Metrics and People Metrics"
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Friday, April 20, 2007	Vanessa Patrick (University of Georgia) "Art Infusion: The Influence of Visual Art on Product and Brand Evaluations"
Friday, Apr 27, 2007	Om Narasimhan (University of Minnesota) "Understanding Private Label Suppliers Who Are Also National Label Producers"
Wednesday, May 09, 2007	Jagmohan Raju (University of Pennsylvania) "TBA"
Tuesday, October 30, 2007	Anastasiya Pocheptsova (Yale University) "The Effect of Context on Memory-based Judgments of Hedonic Experiences"
Wednesday, October 31, 2007	Zsolt Katona (INSEAD) "Buying and Selling Traffic: The Internet as an Advertising Medium"
Thursday, November 1, 2007	William Hedgcock (University of Minnesota) "Trade-off Aversion as an Explanation for the Attraction Effect: A Functional MRI study"
Tuesday, November 6, 2007	Camille Johnson (Stanford) "Being versus Becoming: Perspectives on the self affect performance and preferences"
Wednesday, November 7, 2007	Kinshuk Jerath (University of Pennsylvania) "Can We All Get Along? Incentive Contracts to Bridge the Marketing and Operations Divide."
Tuesday, November 13, 2007	Jing Wang (Yale University) "Antecedents and Consequences of Anticipating Adaptation to New Products"
Wednesday, November 14, 2007	Sherif Nasser (New York University) "The Effect of Competition in Television Broadcasting on the Ratio of Advertising to Programming Time"
Monday, November 19, 2007	Cait Poynor (University of South Carolina) "The Psychology of Category Design: How Product Groupings Influence Assortment Perceptions, Choice and Satisfaction"

**OPERATIONS AND MANUFACTURING MANAGEMENT/BCTIM**

Friday, April 20, 2007	Benny Mantin (Sauder School Of Business) "A Dynamic Pricing Model under Competition" <a href="#">Zigzag Paper GGM MAR-07.pdf</a>
Friday, April 27, 2007	Mahesh Nagarajan (Sauder School Of Business) "Dynamic Stable Alliance Structures in Supply Chains"
Friday, May 11, 2007	Kevin Shang (Duke University) "Impact of replenishment policies on the value of demand information in a serial supply chain" <a href="#">Shang Seminar.pdf</a>
Friday, May 18, 2007	Assaf Zeevi (Columbia University) "Revenue Management Without Knowing the Demand Curve"
Friday, September 7, 2007	Boaz Golany (The Technion - Israel Institute of Technology) "5th Annual Meir Rosenblatt Memorial Lecture"

**ORGANIZATIONAL BEHAVIOR**

Thursday, April 12, 2007	Rick Larrick (Duke University) "Claiming a Large Slice of a Small Pie: Why Negotiators Overestimate Their Negotiation Performance"
Thursday, September 13, 2007	Gerben Van der Vegt (University of Groningen) "TBA"
Thursday, September 27, 2007	Denise Rousseau (Carnegie Mellon University) "Idiosyncratic Deals: The Triangle of Relationships that Make or Break Them"
Thursday, November 1, 2007	Janet Dukerich (University of Texas - Austin) "Weathering Identity Crises: Building Identity in C-form Organizations"

**STRATEGY**

Tuesday, April 3, 2007	Jay B. Barney (Fisher College of Business) "Investor Preferences and Corporate Social Responsibility"
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**PH.D. MILESTONES**

**STRATEGY**

**Brian Wu:** Accepted a position at Michigan.