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RESEARCH REPORT - Spring 2015

Dear friends and colleagues,

It is our pleasure to share with you the Martin J. Whitman School of Management Research Report Spring 2015. This report provides a glimpse of what has been happening at Whitman during a productive and exciting year.

Some of the features within include faculty highlights: Associate Professor of Supply Chain Management Burak Kazaz’s research into the pricing of wine futures (pg. 10) and Professor of Marketing Tridib Mazumdar’s look at how star power influences film success (pg. 7). In addition, you’ll meet our newest research faculty and learn more about the marketing department’s research activities, including its exploration of new developments in online channels.

You will see that Whitman is leading the way in contributing to the body of knowledge in the business field and has many reasons to be proud.

Kenneth A. Kavajecz
Dean

Michel Benaroch
Associate Dean for Research and Ph.D. Programs
Q: MARKETERS HAVE ACCESS TO SO MUCH DATA THESE DAYS. HOW CAN THEY EFFECTIVELY USE THAT DATA TO THEIR ADVANTAGE?

LEE: Marketers must understand how to capture useful data and generate deep customer insights to inform their strategy. Dinesh Gauri, associate professor of marketing, is one of the leading scholars in retail data analysis and consumer choice modeling that allows marketers to understand and predict consumer responses to various marketing actions (e.g. pricing, storefront displays or promotions). His research frequently analyzes large scale data that traces real time purchase behavior of individual customers and households and uncovers the effects of various marketing strategies—not only within each product category, as traditionally done in past studies, but also across different product categories—to provide a more complete picture of profit impact for the whole store.

KAZAZ: Increasing access to data has an impact on supply chain management, as well. For example, we’re working with Staples right now and as part of our engagement, we’re analyzing millions of orders.

Q: TELL US MORE ABOUT THE PARTNERSHIP WITH STAPLES.

KAZAZ: Staples has an amazing story, because they have figured out how to maximize value for the customer by consolidating shipments and making it very easy for customers to quickly order and receive their products without having to track multiple shipments. In fact, 72 percent of the company’s customers are getting 98 percent of their shipments within 24 hours. That’s an exceptional statistic. We’re now helping Staples figure out the best way to combine its multiple channels of distribution and grow efficiencies in the backbone of its inventory management and transportation. Our research shows that it’s essential for companies to create an agile supply chain by working effectively with vendors to manage distribution centers and transportation channels.

Q: ONLINE CHANNELS AND PLATFORMS NOW CO-EXIST WITH THE TRADITIONAL “BRICKS AND MORTAR” CHANNELS. WHAT ARE RESEARCHERS FINDING ABOUT THE NEW ONLINE FORMATS?

LEE: Online is definitely a major channel now, but we’re still trying to fully understand all the implications of this new format. One thing we definitely know from our research is that it isn’t an “either or” but rather companies need to strategically coordinate traditional offline and online channels to reach different types of customers and achieve different purposes. Customers are increasingly becoming active participants of marketing, which is creating a shift in the power balance between customers and marketers. Scott Fay, associate professor of marketing, has research looking into probabilistic selling (see p. 9), as well as “name your own price” models, such as priceline.com, which are completely changing the influence customers have over retailers.
Q: IT’S UNIQUE TO HAVE THREE DISCIPLINES–MARKETING, RETAIL AND SUPPLY CHAIN MANAGEMENT–WITHIN THE SAME DEPARTMENT. HOW IS THIS HELPFUL WHEN CONDUCTING RESEARCH?

LEE: We all are focused on pursuing superior business performance by delivering value to customers, and we can more effectively understand how to achieve this by considering all three disciplines. Marketing and retail examine product development, communication and pricing, while supply chain investigates transportation, production capacity and planning and inventory management. A company can’t deliver value without an integrated perspective of these three areas.

KAZAZ: Historically, operations managers considered sourcing and operational planning, whereas marketing focused on distribution and channels. In the field of supply chain logistics, however, we look at the entire set, giving a holistic view of the system. We also cross train our Ph.D. students who learn from all three disciplines.

Q: WHAT ARE THE NEW RESEARCH TOPICS OF INTEREST TO YOUR FACULTY?

KAZAZ: In Europe, there is a growing body of knowledge focused on supply chain finance, which examines how companies can develop cash reserves to have on hand in case of a high-risk catastrophe, such as weather or other disruption. In supply chain management, we are learning that one of the best ways to mitigate risk is to develop creative ways to finance inventory and engage in financial futures. My research on pricing wine futures focuses on this issue (forthcoming in Manufacturing & Service Operations Management). Anna Chernobai, associate professor of finance, is working with one of our Ph.D. students, M. Hakan Hekimoğlu, on how to mitigate financial risk when a supplier or distributor experiences a disruption.

We also are exploring big data and what it means for inventory management. For example, online channels allow companies to serve up “ideas” for other products and services customers may like, based on their browsing or purchase history. Associate Professor of Supply Chain Management Zhengping Wu’s research is exploring how companies manage inventory of their products effectively, using that data.

LEE: In marketing, we are now coming to realize that big data allows marketers to intimately understand customer behavior better than those customers understand themselves. Now, the challenge is to find ways to translate these new insights into thoughtful marketing strategies. We also are examining how word of mouth and online customer interaction shapes marketing strategy. Marketing is no longer in complete control of marketers. Customers now have the power to control brands simply through word of mouth or by engagement in online channels, social networks and brand communities. This can have a profound impact on the success of a brand, as evidenced by Professor of Marketing Tridib Mazumdar’s research into the effect of online word of mouth and critics’ reviews on pre-release movie evaluations.

KAZAZ/LEE: We are increasingly cognizant of the fact that most companies operate within “ecosystems” whereby they are in direct competition with a company, and they may partner with that same company. Managing those relationships and finding ways to create value with them is key. Our department is well-positioned to continue adding to the body of knowledge in all these areas through our unique collaboration of the three key disciplines of marketing, retail and supply chain management.

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**FACULTY EXPERTISE**

**MARKETING**

AMIYA BASU → pricing, sales force compensation
SCOTT FAY → probabilistic selling, name-your-own-price market, e-commerce
DINESH GAURI → retailing, pricing, marketing analytics
SCOTT LATHROP → consumer decision making, brand equity positioning strategy
EUNKYU LEE → distribution channels, product positioning strategy
TRIDIB MAZUMDAR → pricing, new product development, marketing of new innovations
S.P. RAJ → marketing strategy, new product development, consumer purchasing behavior
BREATAN RILEY → effects of worldview and power on consumer behavior
SUSAN SMITH → business-to-business marketing
CLINT TANKERSLEY → new product development, marketing strategy implementation
FRAN TUCKER → logistics and marketing, global marketing

**RETAIL MANAGEMENT**

LINDA CUSHMAN → retail strategy, merchandising
AMANDA NICHOLSON → retail strategy, retail brand management
RAY WIMER → personal selling, history of retail organizations

**SUPPLY CHAIN MANAGEMENT**

KARCA ARAL → sourcing and auctions
FRED EASTON → agile and flexible supply chain design, particular emphasis on staff/resource scheduling
BURAK KAZAZ → supply chain risk, supply chain finance, pricing under uncertainty and risk
GARY LA POINT → Six Sigma
JULIE NIEDERHOFF → behavioral operations management
JOHN PARK → pricing, supply chain risk and supply chain finance
PATRICK PENFIELD → sustainability
ZHENGPING WU → inventory management, channels and risk
WHITMAN RESEARCH FACULTY HONORED

WHITMAN RESEARCH FELLOWS AND WHITMAN FACULTY RESEARCH AWARDS recognize outstanding research productivity of faculty members. They are awarded by a group of peers to faculty members with an exceptional publication record in the last five years, as well as demonstrated evidence of continued and consistent overall record of publication at high quality journals with a clear commitment to a thematic stream of research. The following research faculty members were honored in 2014.

WHITMAN RESEARCH FELLOW
SCOTT FAY
Associate Professor of Marketing

WHITMAN RESEARCH FELLOW
NATARAJAN BALASUBRAMANIAN
Associate Professor of Management

WHITMAN FACULTY RESEARCH AWARD
ALEX MCKELVIE
Associate Professor and Chair, Department of Entrepreneurship & Emerging Enterprises

HARRIS FELLOW
DAVID WEINBAUM
Associate Professor of Finance

HAYDON FAMILY FELLOW
AMBER ANAND
Associate Professor of Finance

BENEDICT FAMILY FELLOWSHIP IN MANAGEMENT
KRIS BYRON
Associate Professor and Chair, Department of Management

DONOR-SPONSORED FELLOWS are awarded by the Whitman Dean to up-and-coming faculty who have shown evidence they are making a mark in their area of expertise. The following professors were honored in 2014.

YILDIRIM NAMED REAL ESTATE CHAIR AND DIRECTOR OF KUHN REAL ESTATE CENTER

Professor YILDIRAY YILDIRIM was named the Michael Falcone Chair in Real Estate and director of the James D. Kuhn Real Estate Center. Previously, Yildirim chaired the Whitman finance department and was instrumental in the establishment of the school’s real estate program in 2009. His research focuses on credit risk and rating (theoretical and empirical), structured finance and commercial leasing.
WHITMAN WELCOMES NEW FACULTY

KARCA D. ARAL-WANG
Assistant Professor of Supply Chain Management
Ph.D., INSEAD

Aral-Wang’s research is focused on procurement actions, sustainable procurement, sustainable supply chain management and information acquisition. Motivated by the proliferating number of sustainability auditing agencies and the increasing concerns on sustainable procurement, she investigates the role of information acquisition and disclosure in procurement auctions. Her specialized interests in sustainable procurement is the focus of her teaching.

Aral-Wang graduated from Bilkent University in Turkey with an M.S. in industrial engineering. She received her Ph.D. from INSEAD, one of the world’s largest international business schools, in the area of technology and operations management. She was the runner-up in the Production and Operations Management Society’s 2013 Sustainable Operations Dissertation Proposal Award.

LAI XU
Assistant Professor of Finance
Ph.D., Duke University

Xu has expertise in financial econometrics and asset pricing. She recently earned her Ph.D. in economics from Duke University, after receiving her B.A. in economics from Zhejiang University in China. Her research interests include stock return predictability, semi-parametric estimation for extreme events, structural model estimation, consumption asset pricing models and option valuation. Two of her papers are scheduled to be published in the Journal of Financial and Quantitative Analysis and Journal of Econometrics.

Xu has been involved in many international finance conferences, including the American Finance Association, Financial Management Association, China International Conference in Finance and National Bureau of Economic Research Time Series Conference. Her research earned the best paper award at the China International Conference in Finance in 2011 as well as the Bass Fellowship at Duke University.

ZHENGPING WU
Associate Professor of Supply Chain Management
Ph.D., Purdue University

Wu, formerly a visiting professor, has been named an associate professor in the supply chain management group. Prior to Whitman, Wu served as a professor at the Lee Kong Chian School of Business of Singapore Management University (SMU). During his time at SMU, Wu received the Dean’s Teaching Honor recognition every semester he taught. He was also nominated for the 2013 SMU Excellent Teacher Award.

Wu received his Ph.D. in operations management from Purdue University’s Krannert School of Management. His research interests include supply chain coordination and contracting, operations and marketing interfaces, pricing and inventory management. His research work has appeared in various publications, including Management Science, Manufacturing & Service Operations Management, Production and Operations Management, Operations Research Letters and the European Journal of Operational Research.

VISITING SCHOLARS

JAMES K. SEWARD
Visiting professor of finance
Ph.D., University of Wisconsin-Madison

Seward comes to Syracuse from the Wisconsin School of Business, where he serves an associate professor of finance, investment and banking and recently completed a 15-year appointment as founding academic director of the Nicholas Center for Corporate Finance and Investment Banking.

JOHN PARK
Visiting professor of supply chain management
Ph.D., Whitman School

John Park has returned to Whitman’s supply chain management group as a visiting professor after earning his Ph.D. in supply chain management at the School in 2012. Previously, he was an assistant professor at Malaysia Institute for Supply Chain Innovation.
The goal of Albring’s work was to evaluate whether a firm’s information environment impacts a firm’s financing decisions within the context of Regulation Fair Disclosure (Reg FD), which prohibited the use of selective disclosure. Albring takes advantage of a natural experiment involving a change in disclosure regime enacted by the Securities and Exchange Commission on October 23, 2000. The intent of Reg FD was to improve the form and flow of firm specific information. Specifically, Reg FD prohibits selective disclosure of firm specific information to parties outside a firm, such as analysts and institutional investors, with the intent to increase the flow of firm specific information in the form of public disclosure.

Theory suggests that a firm’s information environment impacts the choice between debt and equity financing. However there is limited empirical evidence to support the theory. Albring and her collaborators recognize that the effects of Reg FD are not uniform across firms. As such they consider the differential information effects of Reg FD across firms. Given the impact of Reg FD on the firm information environment, Albring and her co-authors examine whether and how the regulation induced changes in the firm information environment impact a manager’s preference for debt or equity financing. The benefit of this setting is twofold. First, the change in disclosure regulation represents an exogenous shock to the information environment of firms. Hence, Reg FD provides a useful setting to empirically evaluate theory which assumes a firm’s information environment is exogenously determined. Second, the safe harbor provisions of Reg FD allow firms to continue to make selective disclosure to debt credit rating agencies, and this is an important feature to firms facing considerable costs of public disclosure. To the extent that Reg FD induces greater public disclosure, the reduction in a firm’s information asymmetry reduces the cost of and increases the firm’s preference for equity financing. On the contrary, for the subset of firms for which the regulation impedes the flow of firm specific information, managers may prefer debt financing over equity financing.

Albring and her co-authors find that firms with high proprietary costs of public disclosure are more likely to use debt financing after Reg FD. Given that Reg FD shut down the selective disclosure channel, the evidence suggests that high proprietary cost firms find it advantageous to use less information-sensitive debt financing. This relationship is not sensitive to whether a firm relied on selective disclosure before the passage of Reg FD. They also evaluated changes in firm disclosure policy and found firms that adopted an expansive public disclosure policy are more likely to use equity financing. This is consistent with the contention that improvements in the firm information environment favor equity financing.

According to Albring, overall, “the evidence is consistent with theory: firms with deteriorated firm information environments increase their use of less information-sensitive debt, while firms with improved information environments favor equity financing.”

(SUSAN ALBRING is an associate professor of accounting. Her research is focused on the effect of repatriation of foreign earnings on firm capital structure decisions.)
DOES STAR POWER IMPROVE FILM SUCCESS?

Tridib Mazumdar, “Counterfactual decomposition of movie star effects with star selection” (with Liu, A. and Li, B.), Management Science, August 2014.

“Stars” are present in a variety of industries, notably entertainment, athletics, healthcare, stock brokerage, and within large corporation and even academia. Some industry observers believe that stars do improve the performance of the organization or team they represent. Others contend that stars are overpaid and wield excessive power in acquiring resources to advance their own fame and successes. In the motion picture industry, stars sometimes earn 10 to 20 times the average salaries of actors/actresses who have not yet reached stardom status. Movie stars are also known to exercise their clout to ensure that the movies they select have the right ingredients for success. Mazumdar and his co-authors investigated how much of the positive outcome of a movie with a star can actually be attributed to the star’s reputation and talent and how much is due to the preferential selection and favorable characteristics that the star is able to secure.

While movie stars can contribute in a variety of ways, the authors focused on two outcomes: the number of screens the distributors allocate during the opening week for star movies relative to non-star movies and the box office returns in the opening week for star relative to non-star movies. Using data for 2010 movies—233 star movies and 777 non-star movies—the analysis was carried out in two stages. Because the sample of star and non-star movies is non-random, simple comparisons of the outcomes of the two subsamples are not appropriate. Accordingly, the first stage of the analysis investigated the star selection process and found that stars predominantly select movies with reputable directors, producers and production houses, as well as certain genres. Stars avoid movies with demanding shooting locations and scripts that have a high likelihood of the movie receiving a R-rating from the Motion Pictures Association of America. Aside from these substantive findings, this part of the analysis helped statistically identify and correct for the bias caused by a star’s preferential selection of movies.

In the second stage, the authors addressed the main research question of whether it is the star or the movie characteristics that make the difference between star and non-star movie outcomes. To answer this question, Mazumdar and his coauthors framed the analysis as follows: “What would the movie outcome be if a non-star actor/actress had acted in a movie with the same characteristics as those in which a star had appeared?” This counterfactual analysis and the selection correction produced a surprising finding that the difference between the opening week revenue of star movies and that of non-star movies is almost entirely driven by the favorable characteristics of the star movies and not by the presence of the star in the entire range of revenue distribution. However, stars do help in wider distributions of the movies in which they appear. Without knowing how audiences will receive the movie, the presence of a star acts as a signal for risk-averse distributors who allocate greater numbers of screens for star movies than non-star movies. The wider distribution of star movies in turn increases box office revenue. The positive effect of star movies therefore comes from two indirect sources: wider distribution and the stars’ influence and ability to secure the “right” characteristics of the movies in which they participate.

TRIDIB MAZUMDAR is the Howard R. Gendal Professor of Marketing and director of the Earl V. Snyder Innovation Management Center. His research interests are in the areas of pricing, price promotions, new products, and determinants and effects of star power.
Fewer than 18 percent of board seats for Fortune 1000 companies are held by women—a figure that has barely budged over the past decade. Consequently, institutional investors, government officials and advocacy groups across the world have been engaging in a campaign to increase board gender diversity. In addition to advocacy for these efforts, there has been resistance. One important point of contention is whether firms derive any value—or suffer potential losses—from an increased representation of women on boards.

Advocates say board diversity creates shareholder value because varied experiences and values enable decision-makers to have a broader and richer understanding of the firm’s marketplace, prevent “group think” and ensure that boards adequately monitor the firms, among other expected benefits. They point to multiple studies finding that firms with women on their boards enjoy better financial performance.

Opponents say boards should be focused on fulfilling their fiduciary responsibility rather than pursuing social causes. Supporting this view, several other studies have concluded that firms with women on their boards enjoy better financial performance.

Until recently, little could be said definitively about whether women directors have any relationship to firms’ financial performance. To make sense of this mass of inconsistent research, Kris Byron and Corinne Post (Lehigh University) systematically examined, using meta-analysis, 140 studies that have looked at the relationship between board gender diversity and firm financial performance to date. The data represented more than 90,000 firms in more than 35 countries.

The researchers found, in general, firms with more women on their boards are, indeed, more profitable. The research showed that boards with more female directors tend to make stronger efforts to monitor the firms—they spent more time in board meetings and were more likely to make efforts to monitor the CEO and the firm in general. Second, boards with more female directors are more likely to be concerned with and involved in influencing the firm’s strategy.

PROBABILISTIC SELLING AND INVENTORY MANAGEMENT


How can retailers better manage their inventories? Manufacturers typically do not know how many customers will want to buy each of their particular products. Thus, it is difficult to decide how many units to produce. Ordering too much inventory leads to high carrying costs, while ordering too little inventory leads to the opportunity cost of foregone sales and low customer satisfaction. Frequently, manufacturers can only get rid of excess merchandise by offering large discounts. Scott Fay and his co-author, Jinhong Xie, explore whether there might be a better way to deal with demand uncertainty. They identify a novel selling strategy, Probabilistic Selling (PS), and show how this can be a more cost-efficient way of managing inventories.

Fay and Xie introduced the idea of PS in their earlier work (Fay and Xie 2008). This selling strategy involves having a seller offer a “random” product in addition to its normal, fully-specified products. The “random” product is termed a “probabilistic” good because the purchase is based on the probability of getting any one of a set of multiple distinct products/services. For instance, a retailer could offer customers a red sweater, a blue sweater and, at a lower price, a 50-50 chance of getting either a red sweater or a blue sweater.

Priceline.com is a prominent example of a seller who offers probabilistic goods in the travel industry (e.g., airlines, hotels, car rentals), where consumers purchase travel services for which some specific attributes of the service (e.g., the itinerary of the flight, the location of the hotel, or the identity of the car rental company) are not revealed until after payment. Various probabilistic goods are also offered by a growing number of online retailers, including Swimoutlet.com and Lane4swim.com, and many other online retailers offer discounted probabilistic apparel and shoes (framed as “grab bag,” “mystery bag,” “random color,” or “surprise print,” to name a few) where color, patterns and styles are not known to the consumer prior to purchase. Even the behemoth online retailer Amazon now offers various discounted probabilistic goods in the product categories of sportswear, women’s clothing, men’s ties and children’s toys.

Despite the rapidly growing adoption of PS in the market place, retailers and manufacturers continue to struggle with how to implement this novel selling strategy. For many retailers, probabilistic goods are simply a mechanism for getting rid of overstocks. For example, swimoutlet.com sends its buyers swimsuits with team or club logos in which the production run exceeded the realized needs of the intended organization.

While it is intuitive that PS can help in inventory management when allocations are not made until the seller learns which item is less appealing to consumers, Fay and Xie demonstrate that PS can be effective even if the firm allocates products before knowing which product will be more popular, and thus, scarcer.

“IT can be more profitable to allocate products to consumers before, rather than after, learning the true demand for a product because it enables the firm to charge higher prices,” said Fay. “Early allocation effectively allows the seller to commit to random assignments, whereas under late allocations, consumers expect to receive a less popular item.”

Fay and his co-author also explore how optimal inventory levels change as a seller introduces probabilistic goods. To effectively utilize early allocation, the seller must account for the demand for the probabilistic good when placing its inventory order. To obtain the full benefits of early allocation, the firm must place higher inventories than they otherwise would. When sellers order few units of each item (due to their fears of overstocking products that turn out to be unpopular), it’s no wonder they are hesitant to offer probabilistic goods, because they may end up sending consumers a product they could have sold at a much higher premium. The researchers find that, if inventory orders are not adjusted appropriately, PS is often not going to be an effective selling strategy. However, PS can be effective if larger inventory orders are placed. Such a business strategy can not only improve profit, but can also increase social welfare because more customers are served and they don’t have to wait until end-of-the-season sales.

SCOTT FAY is an associate professor of marketing and director of the integrated core. He is particularly interested in examining how firms can harness the power of new technologies. Other topics Professor Fay pursues include the personalization process, marketing in social media and reverse auctions.

B u rak Kazaz, The Laura J. and L. Douglas Meredith Professor of Teaching Excellence and associate professor of supply chain, and his co-authors have revealed a highly accurate model for pricing wine futures. By examining the impact of wine tasting experts and their reviews when it comes to selling wine before it is bottled, known as “wine futures,” Kazaz et al created a model to price those futures and provided a way to determine what proportion of the wine should be sold in advance versus through retail chains. The research demonstrates that Bordeaux grand cru wineries increase their profit by approximately 10 percent; Kazaz et al estimate that small and artisanal winemakers in the U.S. can benefit from such financial markets by improving their profits by 14 to 15 percent.

“This work is significant as it is perceived as the first of its kind in pricing wine futures with accuracy,” said Kazaz. “Earlier research thoroughly examines the pricing of bottled wine but has not explored a model for pricing wine not yet bottled.”

Kazaz and his research team used data obtained from Liv-ex.com, the primary electronic exchange where merchants, brokers, retailers and consumers can purchase wines in advance of their distribution for retail operations to analyze barrel scores, which are quality ratings expert reviewers give to wine tasted from the barrel. Barrel scores indicate the potential quality of the wine, offering clues as to whether it will be a success or failure. Winemakers use barrel scores to determine how much wine to sell as futures and how much to retain for retail sale. The team determined that barrel scores, together with consumer and winemaker preference, influence the winemaker’s allocation and pricing decisions.

What’s more, the study concluded that it’s more profitable for winemakers to sell to a more diverse consumer population, which would include futures and retail sales. Finally, the study offered an empirical formula by which to price wine futures.

“Our study is groundbreaking for smaller artisanal and boutique wineries, because it represents a way for them to maximize their cash flow and profits, thereby allowing for more innovation,” said Kazaz. “Working with one such winery in the Finger Lakes wine region in New York, we were able to demonstrate that it should allocate a significantly larger percentage of its wine as futures. This allows winemakers to recover their cash investment earlier, reduce their risk and invest in quality.”

Kazaz added that U.S. winemakers have a higher need for a futures market and would benefit financially even more than Bordeaux producers, which historically have participated in the wine futures market.
ENTERING WITH THE EXIT IN MIND: ENTREPRENEURS’ EXIT STRATEGIES

Exit strategies are a hot topic both in the media and among entrepreneurs. Much of the interest in exit strategies—the mode through which the entrepreneur intends to exit his or her firm—is likely due to some very high profile entrepreneurial exits, including where the entrepreneur receives multi-million dollar payouts. However, DeTienne, McKelvie and Chandler also suggest that exit strategies matter since they are developed at an early stage of business development, and they have a serious impact on the subsequent actions and decisions entrepreneurs make.

The authors identify the exit strategies presented in the literature (e.g., IPO, acquisition, independent sale, employee buyout, family business transfer, liquidation and discontinuance) and condense them in a typology of three higher-order exit strategies: financial harvest, stewardship and voluntary cessation. They then begin to test the factors that help predict the type of exit strategy an entrepreneur develops. For instance, a financial harvest exit strategy, such as IPO or an acquisition, tends to be associated with entrepreneurs who have highly innovative products and go through a formal planning process. However, those with a stewardship exit strategy, such as employee buyout or sale to a trusted individual, are not concerned with innovativeness or financial rewards, but instead with having more employees and a founder motivated by working autonomously. What is perhaps most surprising is that many entrepreneurs have a voluntary cessation strategy (e.g. they intend to discontinue operations or liquidate assets). These exit strategies tend to be for those with lowly innovative products, have few employees and don’t engage in formal planning processes.

AN EMPIRICAL INVESTIGATION OF COMPOSITE PRODUCT CHOICE

A currently popular marketing strategy for increasing brands’ attractiveness to consumers is the introduction of composite products comprising complementary branded components. Examples include Downy fabric softener in Tide laundry detergent, Cascade automatic dishwashing detergent with Dawn dishwashing liquid, Andes candy in Perry’s ice cream and Lays potato chips with KC Masterpiece vinegar. While prior research has enhanced understanding of the ingredient branding, these earlier studies focused primarily on stated factors (e.g., reported brand attitude and stated brand familiarity) that influence attitudes toward the ingredient product and partner brands. This study investigates consumers’ revealed choice of these products by employing scanner panel data.

This research addresses three managerially relevant questions: Which consumer segments are more likely to adopt the composite product? Will the choice of the composite product have positive or negative reciprocal effects on partner brands? Will the introduction of the composite product benefit the primary or the secondary brand more? The authors use a brand choice model to investigate the “revealed” choice of complements-based composite products. Study results indicate that (i) despite high fit between the composite product and the primary brand, consumer segments may have different choice likelihoods for these products, whereas prior research suggests equal likelihood; (ii) the choice of a composite product may not provide a positive reciprocal effect to the secondary brand; and (iii) the introduction of a composite product may benefit the primary brand more than the secondary brand, whereas prior research suggests a symmetrical benefit for the partner brands. Finally, the finding that introducing a composite product may not cannibalize the sale of the primary brand extends the ingredient branding literature.
**DO YOU VIEW CROWDFUNDING AS AN INVESTMENT OR A DONATION TO CHARITY?**


Since Muhammad Yunus was awarded the Nobel Peace Prize for creating the microcredit movement, the world has seen how much good a little capital can do. Microcredit—the giving of small loans to the desperately poor who typically have no credit history and little collateral—has enabled entrepreneurship and empowered women in the developing world. Experience has shown that these borrowers are not the credit risk that traditional banks initially assumed.

Advances in information technology have recently taken microcredit to a new level with the creation of crowdfunding platforms such as Kiva (kiva.org). Through Kiva and its microcredit partners, individuals worldwide—“the crowd”—lend money to entrepreneurs, who later repay the loan through Kiva. Individuals receive the loan principal while the microcredit partners retain the interest. Then the individuals may use that principal to re-invest in another microloan.

This paper explores the ways in which entrepreneurs in developing countries frame their pitches on Kiva and how that framing affects loan funding. In much the same way that entrepreneurs pitch their venture ideas to investors, these entrepreneurs post their microventure descriptions, goals and aspirations on the Kiva website. Do these microventures frame their pitches as an investment in an entrepreneurial enterprise or more as a donation to a charity? Moss found that those ventures which framed their microenterprises as autonomous, aggressive risk takers were more likely to receive funding than those that emphasized conscientiousness, empathy and warmth. These results suggest that, while the growth of crowdfunding through a microcredit website may be driven by a desire to help others, actual lending behavior points towards those microventures that are more entrepreneurial.

**HOW DO SUBPRIME MORTGAGES AFFECT THE PRIME MORTGAGE MARKET?**


One of the catalysts that is often blamed for the most recent boom and subsequent bust in the U.S. housing market is the rapid expansion of subprime and other risky mortgage products. As a result, numerous studies have examined the role that subprime mortgages played in the current financial crisis. Given the risk characteristics associated with subprime borrowers, it is not surprising that these loans experienced significantly higher default rates than prime mortgages. As a result, attention is now turning to measuring potential externalities or spillovers associated with subprime lending.

For example, research has shown that homes in foreclosure sell at a significant discount, which then reduces the values of surrounding properties.

In their paper, Yildirim et al investigate whether the subprime mortgage market imposed negative externalities on the prime mortgage market. The researchers wanted to know to what extent the presence of subprime mortgages in an area affects the value of prime mortgages in the same location. Stated differently, did the introduction of subprime mortgage loans into an area increase the risk profile of prime mortgages in that same location?

Turning to variables of interest, the researchers find that subprime activity increases prime mortgage default rates. A one-percentage-point increase in subprime concentration increases prime mortgage default rates by roughly 3.7 percent. In addition, Yildirim et al find that subprime mortgage default rates are positively related to higher prime default rates. A one point increase in an area’s subprime default rate increases prime default rates by nine percent, all else equal. These results suggest that subprime effects do, in fact, spill over into the prime mortgage market.
HONORS, AWARDS AND RECOGNITION

TODD MOSS, assistant professor of entrepreneurship and faculty director of the Sustainable Enterprise Partnership, has received the Academy of Management’s Carolyn Dexter Award, an all-academy award given to the best paper internationalizing the academy. His paper, “Competition vs. cooperation: Motivating groups in base-of-the-pyramid markets” (with Kistruck, G., Lount, R., Smith, B. and Bergman, B.), was selected from among the best papers nominated by 22 AOM division program chairs.

NATARAJAN BALASUBRAMANIAN, associate professor of management, JOHAN WIKLUND, professor of entrepreneurship, and TOM LUMPKIN, The Chris J. Whitting Chair in Entrepreneurship, each conducted two-day personal development workshops at the 2014 Academy of Management Meeting. Balasubramanian's workshop was titled, “Measuring value creation and value capture in strategy research: New challenges and new methods” (with Chatain, O., Ryall, M. and Mindruta, D.). Wiklund’s was titled, “The potential of a clinical approach: Psychological disorders and entrepreneurship theory,” and Lumpkin’s was titled, “What can social entrepreneurship researchers learn from family business scholars?” (with Bacq, S.).

BURAK KAZAZ, The Laura J. and L. Douglas Meredith Professor of Teaching Excellence and associate professor of supply chain management, Dwayne Cole ‘11 Ph.D. and Scott Webster received the Best Analytical Research Paper Award for their paper, “Final purchase and trade-in decisions in response to a component phase-out announcement.” They received the award at the Decision Sciences Institute Annual Meeting in November, 2014.

PETER KOVEOS, Kiebach Chair in International Business and professor of finance, chaired the 13th Annual International Conference on Finance, Athens, Greece, May, 2015.

TOM LUMPKIN, The Chris J. Whitting Chair in Entrepreneurship, delivered a keynote speech at the Global Entrepreneurship Conference titled, “What we’re learning from social entrepreneurship about wealth creation,” as well as a keynote speech at the 11th Annual Social Entrepreneurship Conference titled, “Opportunities and challenges in social entrepreneurship research.”

CATHERINE MARITAN, associate professor of management, was appointed co-chair of the Strategy Research Foundation, the research funding arm of the Strategic Management Society. In this role, she is responsible for developing themes and focus areas for the Foundation and policies for research funding. She will also provide oversight of grant programs. In addition, Professor Maritan was honored as an outstanding Strategic Management Journal editorial board member.

CRAIG NICHOLS, assistant professor of accounting, was invited to present a paper titled, “In short supply: Equity overvaluation and short-selling (with Beneish, D. and Lee, C.), at the Journal of Accounting Economics Conference, November, 2014.

RAJA VELU, professor of managerial statistics, served on the program committee of the Applications of Matrix Computational Methods in the Analysis of Modern Data Workshop, held at the 2015 International Conference on Computational Science.

YILDIRAY YILDIRIM, the Michael Falcone Chair in Real Estate and professor of finance, had a patent (8,788,404) approved by the U.S. Office of Patents titled, “Structured finance securities option pricing architecture and process” (with Jarrow, R.A. et al.). In addition, he was honored as a 2015 Fellow of the Weimer School of Advanced Studies in Real Estate and Land Economics.

SELECTED EDITORIAL APPOINTMENTS

KRIS BYRON, associate professor and chair of the department of management, was appointed associate editor for the Academy of Management Review.

ANNA CHERNOBAI, associate professor of finance, was invited to serve as associate editor for Advances in Quantitative Analysis of Finance and Accounting.

TOM LUMPKIN, The Chris J. Whitting Chair of Entrepreneurship, was reappointed for another three-year term as co-editor of Strategic Entrepreneurship Journal.

ALEX MCKELVIE, associate professor and chair of the department of entrepreneurship, joined the editorial boards of the Journal of Management and the Strategic Entrepreneurship Journal. He was also awarded a Certificate of Reviewing Excellence from the Journal of Business Venturing.

KIRA REED, associate professor of management, has joined the editorial review board for the Africa Journal of Management.

MINET SCHINDEHUTTE, associate professor of entrepreneurship, joined the editorial board of the Journal of Management.

YILDIRAY YILDIRIM, the Michael Falcone Chair in Real Estate, joined the editorial board of Real Estate Economics.
KRIS BYRON, associate professor of management, was quoted in Fortune and Fast Company about research she conducted, which examined 140 studies of board of directors’ performance in 35 countries (see p. 8). The research was further discussed in the Washington Post in January, 2015, and featured in “Woman-on-Top,” the United Kingdom’s first e-zine for working women.

ALEX MCKELVIE, associate professor and chair of the department of entrepreneurship, and J. MICHAEL HAYNIE, vice chancellor of veterans & military affairs and Barnes Professor of Entrepreneurship, had their research on entrepreneurship and addictive behavior featured in Forbes, Inc. and Bloomberg BusinessWeek in November, 2014.

AMANDA NICHOLSON, professor of retail practice, was twice featured on “Knowledge@Wharton,” discussing Amazon’s recent introduction of ads for handymen and other local service providers (along with listings of relevant products) in December, 2014, and the company’s higher than expected profit in February, 2015.

EUNKYU LEE, professor and chair of the marketing department, was quoted in the Syracuse Post-Standard regarding Price Chopper’s rebranding announcement.

SELECTED BOOKS AND MONOGRAPHS

ROGER KOPPL, From Crisis to Confidence – Macroeconomics after the Crash, Institute of Economic Affairs, 2014.

The monograph dissects the recent Great Recession in the United States and the prolonged economic slump that followed. Koppl asserts that what may appear as market failure was actually the consequence of failed government policies. He makes a case for moving away from government command and control toward freer exchange. This monograph follows Koppl’s earlier work, “Big Players and the Economic Theory of Expectations,” which was awarded the annual best-book prize by the Society for the Development of Austrian Economics.

Koppl’s theory and how it applies to the Bank of England was mentioned by MP Steve Baker in a Treasury Select Committee hearing of the British Parliament. Just prior to the hearing, the two had met to discuss Koppl’s work, which Baker had long followed. Baker, Mark Carney, governor of the Bank of England; Donald Kohn and Martin Taylor, Financial Policy Committee members; Andrew Bailey of the Prudential Regulation Authority and other members of Parliament were in attendance at the hearing to review and discuss the Bank of England’s semi annual Financial Stability Report.

The ‘Big Players’ theory Koppl shares in the monograph has also been cited by the Cato Institute in an article that appeared in Globe Asia. Author Steven H. Hanke referenced Koppl’s presentation of “measurements of regime uncertainty in the current crisis and their negative effects on confidence and economic activity.”
SELECTED FACULTY PUBLICATIONS

SUSAN ALBRING
“Audit committee financial expertise, corporate governance, and the voluntary switch from auditor-provided to non-auditor-provided tax services” (with Robinson, D. and Robinson, M.), Advances in Accounting, Vol. 30, No. 1, 2014.


AMIYA BASU

PAMELA BRANDES
“I know something you don’t know!: The role of linking pin directors in monitoring and incentive alignment” (with Dharwadkar, R. and Suh, S.), Strategic Management Journal, 2014.


KRIS BYRON
“Diplomas, photos, and tchotchkes as symbolic self-representations: Understanding employees’ individual use of symbols” (with Lawrence, G.), Academy of Management Journal, 2014.

ANNA CHERNOBAI

RAVI DHARWADKAR

FRED EASTON


RANDY ELDER
“Behind the numbers: Insights into large audit firm sampling policies” (with Christensen, B.E. and Glover, S.M.), Accounting Horizons, 2014.


SCOTT FAY


MITCH FRANKLIN

DINESH GAURI

WILL GEOGHEGAN

“University technology transfer offices: The search for identity to build legitimacy” (with O’Kane, C., Mangematin, V. and Fitzgerald, C.), Research Policy, 2014.

“Technology transfer offices as a nexus within the triple helix: The progression of the university’s role” (with O’Kane, C. and Fitzgerald, C.), International Journal for Technology Management, 2014.

J. MICHAEL HAYNIE


BURAK KAZAZ

“Wine futures and advance selling under quality uncertainty” (with Noparumpa, T. ’12 Ph.D. and Webster, S.), Manufacturing and Service Operations Management, forthcoming.


ROGER KOPPL


KYU LEE


TOM LUMPKIN


TRIDIB MAZUMDAR

“Counterfactual decomposition of movie star effects with star selection” (with Liu, A. and Li, B.), Management Science, 2014.


ALEX MCKELVIE


MARIA MINNITI

“Fifty is the new thirty: Ageing well and start-up activities” (with Kautonen, T.), Applied Economics Letters, 2014.


TODD MOSS


JULIE NIEDERHOFF

“Fairness in selling to the newsvendor” (with Wu, X.), Production and Operations Management, 2014.
PATRICK PENFIELD


S.P. RAJ

KIRA REED

BREAGIN RILEY

MINET SCHINDEHUTTE

JAMES SEWARD

ALEX THEVARANJAN

RAJA VELU

JOHAN WIKLUND


ZHENGPING WU


YILDIRAY YILDIRIM


PIERRE YOURougou
“FDI and financial market development in Africa” (with Soumare, I. and Otchere, I.), World Economy, 2014.
PH.D. STUDENT RESEARCH NEWS

SELECTED JOURNAL PUBLICATIONS

H. CHUNG

C. FENG

LEA H. STERN

YANG YE
“Uncertainty and the employment dynamics of small and large businesses” (with Ghosal, V.), Small Business Economics, 2014.

PH.D. ALUMNI NEWS

NASON JOINS FACULTY AT CONCORDIA UNIVERSITY

ROBERT NASON ’14 PH.D. was recently appointed assistant professor of management in the John Molson School of Business at Concordia University. While at Whitman, Professor Nason, who obtained his doctorate in entrepreneurship, published research focused on the intersection of strategy and entrepreneurship, including the family’s influence entrepreneurial activity ranging from the portfolio activity of business families to the informal institutional influence of family households on economic activity in impoverished settings.

Nason is developing theory on firm growth as a distinct performance outcome. Specifically, building on Penrosean growth theory, he is exploring how firms access external resources without owning them and how the decoupling of growth dimensions (e.g. sales vs. assets) affects the boundaries of the firm. His current research projects include the influence of slack management on performance and the role of family household health on entrepreneurial activity.

Nason has published his research in peer reviewed academic journals such as Journal of Business Venturing, Strategic Entrepreneurship Journal, Family Business Review and Entrepreneurship Theory and Practice and Small Business Economics.

OTHER NEWS

PARVATHI JAYAMOHAN attended the Academy of Management ENT Doctoral Consortium, August 2014.

KIVEN PIERRE was invited to attend the Babson College Entrepreneurship Research Conference (BCERC) Doctoral Consortium, June 2015.
SELECTED CONFERENCE PAPERS AND PRESENTATIONS

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PARVATHI JAYAMOHAN

E.J. KO

C.K. LEE

KIVEN PIERRE
“Growth-orientation in emerging economies: Towards path dependence of entrepreneurial opportunities” (with Moss, T.), Academy of Management Meeting.


ROB NASON ’14 PH.D.


“Does one size fit all? The impact of organizational size on corporate entrepreneurship” (with McKelvie, A., Hornsby, J. and Kuratko, D.), Babson College Entrepreneurship Research Conference, June 2014.

FRED YEBBA
“The effect of local government GAAP regulation on audit market concentration, auditor specialization, and audit fees” (with Elder, R.), AAA Audit Section Midyear Meeting, San Antonio, Texas, 2014.

WEI YU
2014 VISITING SCHOLARS

ZAHN BOZANIC, from Ohio State University, presented an accounting seminar, “Financial statement irregularities: Evidence from the distributional properties of financial statement numbers.”

DIPANKAR CHAKRAVARTI, from the Carey Business School at Johns Hopkins University, presented a marketing seminar, “Choices of consequence: Some financial decisions of the rural poor.”

KRIS GERARDI, from the Federal Reserve Bank of Atlanta, presented a finance/real estate seminar, “The effect of large investors on asset quality: Evidence from subprime mortgage securities.”

MIHAI ION, from Purdue University, presented a finance seminar, “Policy uncertainty and corporate investment.”

ADITYA JAIN, from the Indian School of Business at Hyderabad and visiting professor at Kellogg at Northwestern University, presented a supply chain management seminar, “Pacing work in the presence of goals and deadlines: Econometric analysis of an outpatient department.”

CANDACE JENS, from Tulane University, presented a finance seminar, “Political uncertainty and investment: Causal evidence from U.S. gubernatorial elections.”

JOHN JIANG, from Michigan State University, presented an accounting research seminar, “Saying no in standard setting: What influences FASB Board members’ voting decisions?”

BENYAMIN LICHTENSTEIN, from the University of Massachusetts, presented an entrepreneurship research seminar, “The dynamics of emergence: How social entities are created and re-created over time.”

XIAO LIU, from Carnegie Mellon University, presented a marketing research seminar, “Overhaul overdraft fees: Innovating financial services with big data.”

SHIKIE LU, from the University of Southern California, presented a marketing research seminar, “A two-sided market analysis of behaviorally targeted display advertising.”

YU MA, from the University of Alberta, presented a marketing seminar, “The nutritional quality of our grocery shopping and the impact of external shocks.”

RICK MORTON, from Florida State University, presented an accounting research seminar, “Does financial statement comparability reduce stock price delay?”

CHAYAWAT ORNTHANALAI, from the University of Toronto, presented a finance research seminar, “Options on initial public offerings.”

SARANG SUNDER, from Georgia State University, presented a marketing research seminar, “Modeling the lifetime value of a customer in the consumer packaged goods (CPG) industry.”

ALEXEI TCHISTYI, from the University of California at Berkeley, presented a finance seminar, “Risking other people’s money: Gambling, limited liability, and optimal incentives.”

ANITA TUCKER, from Harvard Business School, presented a supply chain management seminar, “Work design drivers of organizational learning about operational failures: A laboratory experiment on medication administration.”

LIBBY WEBER, from the University of California at Irvine, presented a management research seminar, “Moving opportunism to the back seat: Bounded rationality, costly conflict, and hierarchical forms.”

MATTHEW WIELAND, from Indiana University, presented an accounting research seminar, “Restatements and earnings quality: The relative information content of non-GAAP earnings and GAAP compliant earnings for future cash flows.”

THOMAS OMER, from the University of Nebraska-Lincoln, presented an accounting research seminar, “The effects of regulatory scrutiny on tax avoidance: An examination of SEC comment letters.”

SANKARAN VENKATARAMAN, from the Darden School of Business at the University of Virginia, presented the Falcone Distinguished Entrepreneurship Scholar seminar.
RESEARCH CENTERS

By initiating and supporting a myriad of events and activities, Whitman’s research centers immeasurably impact the school’s reputation, visibility and leadership position across numerous disciplines and industries. Such support includes the organization and underwriting of research conferences and workshops, the sponsorship of faculty and doctoral students’ summer research projects, funding of software purchases and access to research databases, and the initiation of student activities to promote industry knowledge. Contributions of the Centers to Whitman’s research mission in 2014 were many.

**THE EARL V. SNYDER INNOVATION MANAGEMENT CENTER** supports faculty research on innovation as well as case writing initiatives. Snyder-funded projects have been received by top business journals. The Center awards student grants for gaining international experiences focused on global innovation management. In recent trips, students visited companies such as Samsung, Hyundai and LG. The Center has co-sponsored conferences and initiated speaker series that invite national scholars and practitioners to present their perspectives on innovation management.

**THE H.H. FRANKLIN CENTER FOR SUPPLY CHAIN MANAGEMENT** has supported faculty and doctoral students’ travel for conferences, database subscriptions for research and computing equipment for research. A new corporate partnership with Staples supports doctoral students and faculty in their efforts to help develop new research streams.

**THE KIEBACH CENTER FOR INTERNATIONAL BUSINESS STUDIES**, through its Africa Business Program, sponsored the Fourth Annual Conference on Business and Entrepreneurship in Africa on May 23-25, 2013, at Makerere University, Kampala, Uganda. The Kiebach Center continued publishing the Journal of Developmental Entrepreneurship and sponsored the John Jack Award for Best Paper in Developmental Entrepreneurship at the 2014 USASBE Conference.

**THE ROBERT H. BRETHEN OPERATIONS MANAGEMENT INSTITUTE** fosters the development and dissemination of new knowledge in the field of operations and supply chain management. In 2014, it supported the research projects of three Whitman faculty and Ph.D. students. Through its APICS certification initiative, the Institute continued to deliver formal training for students interested in pursuing APICS certification. During the last academic year, 37 students passed a total of 55 exams, and two students passed all five exams required for certification in production and inventory management. Through its experiential learning initiatives, the Institute organized and sponsored four tours of manufacturing facilities in Central New York last year. Finally, the Institute sponsored two SU student case competition teams for events organized by Rutgers University and by the Northeastern District of APICS.

**THE GEORGE E. BENNETT CENTER FOR TAX RESEARCH** continued throughout 2014 its commitment to funding research activities related to tax issues, including access to research data sets and summer research support for faculty and doctoral students.

**THE MICHAEL J. FALCONE CENTER FOR ENTREPRENEURSHIP**, along with Whitman’s Entrepreneurship and Emerging Enterprises Department, recognized Dr. S. Venkataraman from the Darden Graduate School of Business at the University of Virginia as the 2014 Falcone Distinguished Entrepreneurship Scholar. During his visit, Venkataraman shared stories about his role in the development of the field of entrepreneurship (including his position as editor of the Journal of Business Venturing), what it means to be at the frontier of the field, communicating with different audiences and fields, and the attributes of impactful publications. He also spent time meeting individually with faculty members and conducting a discussion with doctoral students.

**THE JAMES D. KUHN REAL ESTATE CENTER**, in its aim to integrate finance and real estate in teaching and research, has funded access to relevant data sets, hosted visiting real estate national scholars to present their perspectives on real estate research and organized a panel bringing together practitioners and academics to discuss trends in real estate.