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Dear friends and colleagues,

Too often people forget that research changes the way business is conducted. Business research has changed the distribution of goods, compensation contracts, capital market regulation and how fledging firms are launched. At the Martin J. Whitman School of Management, our faculty are pushing the envelope on what is known about business and management. With this knowledge, we continually ensure it informs the teaching of our students at all levels as well as improves how business professionals run their companies.

It is our pleasure to share with you a copy of the Martin J. Whitman School of Management Research Report Spring 2014. This report provides you with a glimpse of what has been happening at Whitman during an incredibly productive and exciting year.

Some of the features within include faculty highlights: Assistant Professor of Accounting Lihong Liang’s research into the effects of fair value versus historical cost reporting on financial forecast accuracy (pg. 10) and Professor of Management Yitzak Fried’s fellow status award by the American Psychological Association for his outstanding contributions to, and impact on, the field of psychology (pg. 14). In addition, the two of us discuss the current state of business school research and the direction in which we would like Whitman’s research and PhD program to take in the near future.

You will see that Whitman is on the move and has many reasons to be proud.

Sincerely,

Kenneth Kavajecz
Dean

Michel Benaroch
Associate Dean for Research and PhD Programs
Q: WHY IS RESEARCH IMPORTANT TO WHITMAN?

KAVAJECZ: Research is an integral part of Whitman because it has to inform our teaching. Faculty bring research—theirs and others—into the classrooms, which helps our students learn. There are institutions out there that do only teaching. What is the advantage we bring? The fact we have people pushing the envelope on what we know. It is important to remember that there are things we think we know about business that are wrong. Research is what helps us push thinking forward.

BENAROCH: Here’s an example. Assistant Professor Anna Chernobai studied how companies are affected by three types of operational IT failures: data breaches, erroneous processing and non-availability of system services. Although a tremendous amount of attention is given to IT security by companies and the media, it turned out that data breaches had much less impact than the other types of IT failures, at least as measured by stock market reaction.

To add to Ken's point, you really must have competitive research to remain relevant in the business school arena. The high correlation between research leadership and business school rankings is undisputable. And there is certainly a correlation between rankings and quality of students. Just look at the exceptional group of PhD students we have recently admitted to the Entrepreneurship & Emerging Enterprises program. Their desire to study at Whitman is, in part, attributable to the program’s consistent top-5 ranking.

Q: WHAT INVESTMENTS ARE IMPORTANT TO SUPPORTING AND ENABLING STRONG RESEARCH?

KAVAJECZ: Time to work on research is the thing in shortest supply in most business schools. Freeing up researchers’ schedules is important. Having large blocks of time, I say, is the most significant factor in doing good research. You can’t work on a piece for a couple of hours here and there—you’ll never get it done.

We need to find cost effective ways to free up blocks of time. I want to give more time to extremely productive researchers because I want to invest in strength. The curriculum review we’re undertaking tries to build in a fair amount of structure so certain classes may only be offered in the fall or the spring. Ideally, if research faculty can get their teaching done in one semester, they’ll have nine months to focus on research.

BENAROCH: When working on research while teaching, it is difficult not to get wrapped up in the research part. We often work with co-authors—perhaps a PhD student or faculty in the tenure process—and must be flexible regarding the pace at which our co-contributors can progress.
Beyond time, Whitman’s investment in research also extends to facilitating more visitations and short residencies of scholars, as well as continuing to provide access to the latest research datasets, software tools and so on. We also need to invest in better translating and disseminating our research so everyone—students, parents, our alumni, the general public—understands and sees the value in what we are doing.

**Q: WHAT ARE YOU DOING TO ENHANCE THE QUALITY AND THE CULTURE OF RESEARCH WORK AT WHITMAN?**

**KAVAJECZ:** One thing we started was the Junior Faculty Development Brown Bag Seminar Series. The goal is early discussion of research ideas before a paper is written and submitted to a journal without the benefit of initial feedback of peers. These seminars encourage productivity and collaboration.

**BENAROCH:** Along those lines, I’ll add changes to our PhD program. Starting next year, PhD students will present their new research ideas or progress on ongoing research projects once every semester. They will have to show progress as they move along, and they will receive regular feedback and guidance from multiple faculty members.

**KAVAJECZ:** Another important change is having PhD students mentored beginning their very first day in our program. We can’t follow the “hands off” model of schools like Chicago and NYU where PhD students get faculty’s attention after they have proven themselves in the first two years of the program. We need to do more for our students early on. Mentors are a consistent source of guidance throughout their time at Whitman.

**BENAROCH:** Both changes in the PhD program are examples that should lead to closer and more productive relationships among faculty and PhD students.

**Q: HOW DOES WHITMAN USE ITS BODY OF RESEARCH WORK TO RECRUIT TOP FACULTY?**

**BENAROCH:** It is important for us to develop critical mass in those areas where we already have the potential to gain more strength. Every business school has finance, marketing, accounting. If you are not known for something specific, you are just like many others out there. We are known for entrepreneurship and supply chain management. We are becoming known for real estate. We may be less known for other areas, but we are certainly doing good work in those areas. We plan to build on our strengths, for example, by careful, strategic hiring.

**KAVAJECZ:** One thing I look for when hiring is synergies. If new faculty work independent of other people around them, then all you have is the sum of that part. Instead, you hope to bring in faculty who help the school become greater than the sum of the parts because they either make the research environment better or they make people more productive—the fact that they give you feedback on your paper or co-author with you or work with PhD students fosters collaboration and productivity. It is hard to determine if prospective faculty possess that commitment to synergy just by a CV or interview. But if you can find it, it makes both a department and school stronger.

**BENAROCH:** Talking of synergies, other changes to our PhD program are geared toward having faculty and PhD students work across departmental lines. Not just conducting interdisciplinary research, but faculty and students capitalizing on strengths that exist in different areas, for example, the entrepreneurship and management departments offering joint cross-area doctoral seminars and bringing visiting scholars with shared interests.

**Q: BEYOND BENEFITS TO LEARNING, IS REPUTATION ENHANCEMENT THE MOST SIGNIFICANT ADVANTAGE OF STRONG RESEARCH?**

**BENAROCH:** It really does have a domino effect. Injecting research into the classroom creates a more relevant education experience. And as we have discussed, research success directly correlates with rankings and the ability to attract the brightest students as well as up-and-coming and accomplished faculty. A challenge, which is also an important opportunity, is making research relatable outside of academia. The practical application of findings in the real business world is where you can drive home the importance of research—and your school’s role—to media, alumni, enterprise and thought leaders.

**KAVAJECZ:** Research certainly fuels reputation. And adding to Michel’s point, I have seen first hand that having really good, thematic research often brings you into important policy discussions. During the 2008 crisis, faculty in the real estate field were approached with many different questions. I know prominent people in security trading research who get called in by the Securities and Exchange Commission to be asked, “What should we be doing?” So, beyond knowledge creation and helping our students understand their chosen field better, reputation enhancement and having a voice at the policy table are important benefits of research.
WHITMAN AND SIMON CO-SPONSOR WORKSHOP ON INFORMATION INTENSIVE SERVICES

The 4th Workshop on Information Intensive Services, co-sponsored by the Robert H. Brethen Operations Management Institute at Whitman and the Simon Graduate School of Business at the University of Rochester, was held on May 10, 2013. The workshop was organized by Fred Easton, Whitman professor of supply chain management, and Vera Tilson, assistant professor of operations management of the Simon School. The theme of the workshop was “Innovation and Challenges of Big Data in Information Intensive Services.” Whitman’s Scott Webster, professor of supply chain management, and Michel Benaroch, associate dean for research and PhD programs and professor of management information systems, presented their work at the event and numerous other Whitman faculty and doctoral students attended. Also in attendance were research faculty from Cornell University, Rensselaer Polytechnic Institute, Clarkson University and Binghamton University, as well as executives from the Xerox Corp., FairHealth, D4Discovery and iVEDiX, among others.

WHITMAN HOSTS SUPPLY CHAIN CONFERENCE

The 2nd Annual Continuous Improvement Conference, sponsored by Snap-on Tools, the University of South Carolina, Syracuse University, the Manufacturers Association of Central New York and APICS, was held October 14-15, 2013, at the Whitman School. Organized by Patrick Penfield, assistant professor of supply chain practice at Whitman, the conference covered current topics in supply chain management practice and research. Among the presenters at the conference were Whitman faculty members Fred Eason, Burak Kazaz and Gary LaPoint. Whitman faculty attended along with doctoral, MBA and undergraduate students. Also present were faculty members from the University of South Carolina and industry speakers from Welch Allyn, St. Joseph’s Hospital, the TCM Group and Inficon.

WHITMAN AWARDS FETNER FELLOWSHIP FOR SUSTAINABILITY RESEARCH

On March 19-20, 2013, as part of the 2013 Fetner Sustainable Enterprise Fellowship Award program, fellowship awardee Dr. Tima Bansal delivered two research presentations titled, “The Challenges of Rigor and Relevance in Practice-Based Research: Learnings from the Network for Business Sustainability” and “Sustainability Research: It’s About Time.” During her stay at Whitman, Dr. Bansal also interacted with faculty and doctoral students interested in sustainability research.

Dr. Bansal holds the J. Allyn Taylor/Arthur H. Mingay Chair in Business Administration at the Richard Ivey School of Business, University of Western Ontario. She is also the executive director of the Network for Business Sustainability and director of the Centre for Building Sustainable Value.

The Fetner Sustainable Enterprise Fellowship is made possible through a gift by Hal Fetner ’83, president and CEO of Durst-Fetner Residential, and his wife, Nina. This recognition is given annually to an academic expert in sustainable enterprise whose visit involves direct, in-depth work with faculty and students.

FALCONE ENTREPRENEURSHIP SCHOLAR AWARDED TO DR. MICHAEL FRESE

Dr. Michael Frese, from National University of Singapore and Leuphana University of Lueneburg in Germany, was named the 2013 Falcone Distinguished Entrepreneurship Scholar by the Whitman Department of Entrepreneurship & Emerging Enterprises on October 30, 2013. Dr. Frese delivered an address titled, “Toward a Psychology of Entrepreneurship – An Action Regulation Theory Perspective.” Dr. Frese also held an open session with Whitman doctoral students and faculty.

Author of more than 200 book chapters and 125 articles regarding the intersection of entrepreneurship and applied psychology, Dr. Frese’s research focuses on the psychology of entrepreneurship, including innovation, personal initiative, entrepreneur training and learning from past experience.

The Falcone Distinguished Entrepreneurship Scholar has been named annually since 2005 and recognizes individuals who are thought-leaders in entrepreneurship-focused research.
Whitman is pleased to announce TODD MOSS as its newest entrepreneurship and emerging enterprise faculty member and director of the Sustainable Enterprise Partnership. Moss’s research has appeared in Entrepreneurship Theory and Practice, Strategic Entrepreneurship Journal, and The Academy of Management Learning and Education, among others. He teaches undergraduate and graduate courses supporting the Certificate of Advanced Study in Sustainable Enterprise. Previously, Moss was an assistant professor of strategy and entrepreneurship at Oregon State University. He earned BS and MS degrees in mechanical engineering from Brigham Young University (BYU) and an MBA from BYU’s Marriott School of Management. Moss obtained his PhD in business administration with an emphasis in strategic management and entrepreneurship from Texas Tech University.

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. In 2013, contributions of the centers to Whitman’s research mission were many.

THE EARL V. SNYDER INNOVATION MANAGEMENT CENTER supports faculty research on innovation and entrepreneurship as well as case writing initiatives. The Center awards student grants for gaining international experiences focused on global innovation management. Last year, students visited companies such as Samsung, Hyundai and LG. The Center has initiated a speaker series that invites national scholars and practitioners to present their perspectives on innovation management.

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 2013, it supported the research projects of four Whitman faculty and PhD students and co-sponsored the 4th Workshop on Information Intensive Services with the Simon School at the University of Rochester. Through its APICS certification initiative, the Institute continued to deliver formal training for students interested in pursuing APICS certification. During the 2012-2013 academic year, 26 students passed a total of 43 exams, and three students passed all five exams required for certification in production and inventory management.

THE GEORGE E. BENNETT CENTER FOR TAX RESEARCH, continued throughout 2013 its commitment to funding research activities related to accounting and tax issues, including access to research data sets and summer research support to faculty and doctoral students.

THE MICHAEL J. FALCONE CENTER FOR ENTREPRENEURSHIP, along with Whitman’s Entrepreneurship and Emerging Enterprises Department, recognized professor Dr. Michael Frese from National University of Singapore and Leuphana University of Lueneburg in Germany as the 2013 Falcone Distinguished Entrepreneurship Scholar. During his visit, Frese delivered an address titled, “Toward a Psychology of Entrepreneurship – An Action Regulation Theory Perspective.” He spent time meeting individually with faculty members and conducted a discussion with doctoral students.

THE JAMES D. KUHN REAL ESTATE CENTER, committed to its objective of integrating finance and real estate in teaching and research, funded access to relevant data sets, hosted visiting real estate national scholars to present their perspective on real estate research, and organized a panel bringing together practitioners and academics to discuss trends in real estate.
Community and social pressures often motivate a firm to act in ways other than those prescribed by pure profit maximization. For example, in the “fair-trade” movement, relatively powerful retailers pay higher prices for comparable order quantities to more fairly allocate supply chain profits with less powerful suppliers. The power relationship between the two parties determines which is vulnerable and which has the opportunity for benevolent behavior. Because markets and market powers often shift over time to become more equal or even reversed, the repercussions of behavior in previous power relationships provide additional motivation for fair treatment.

Niederhoff, and her collaborator, Xiaole Wu, study how fairness affects a two-stage supplier-retailer transaction under uncertain demand conditions—where inventory is purchased in advance of the sales season and the actual amount demanded can only be predicted as a probability curve. Compared to prior literature, their work allows for a wider range of probabilistic demand distributions and also allows the degree and definition of fairness to assume a broader range of preferences both in terms of what is considered a fair allocation and how strongly each decision maker feels about achieving this allocation.

Nieiderhoff focuses her research on the simplest contract—the wholesale price contract—in which a supplier sells a product at a supplier-determined price above his own purchase or manufacturing cost and the retailer then sells at a market price above his purchase price. This contract is known to reduce the system’s overall efficiency because higher purchase prices drive down the retailer’s incentive to carry the product when facing the risk of low demand and overstocking. More sophisticated contracts, such as those with return policies, mitigate this risk and allow more advanced allocations of risk and profits.

However, they are not as widely used as simple wholesale contracts and, thus, Niederhoff focuses her research on this widely used basic transaction.

The analysis finds that, if the retailer’s ideal allocation to the supplier is not sufficiently large (if the retailer is mostly self-serving), then the fair-minded retailer makes no difference to system efficiency. Instead, in this case, the supplier works with the retailer’s preferences to maintain the system’s usual outcomes. Specifically, the supplier will raise the price on a generous retailer or lower the price to a spiteful retailer to maintain the usual order quantity at an altered profit allocation. Only when the retailer’s ideal allocation to the supplier is above a threshold can the retailer’s fairness concern improve the system efficiency, and even then only for sufficiently high demand uncertainty.

For the retailer’s fairness concern to improve expected profits of both parties compared to the traditional supply chain case (win-win), the demand uncertainty must be sufficiently high, the retailer cannot be too averse to disadvantageous inequity and his ideal allocation to the supplier must fall within a narrow range, which is determined by parameters such as product cost, retail price and demand probabilities.
A central tenet in finance is that there should be a tradeoff between risk and return. We all understand that the return is what you make on an investment. We also understand what risk is, at least intuitively: risk is the possibility of losing some of your investment. Understanding the relation between risk and return is crucial. This relation is usually thought of as a tradeoff: the more risk you take on, the greater your possible return. Investors who are more willing to take on risk can expect to be compensated through higher expected returns.

To illustrate the risk/return tradeoff, think of a spectrum. At one end, there are safe options such as bank savings accounts: these have low risk but the returns are also low. At the other end are small pharmaceutical start-ups with promising but unproven pipelines of projects. Such investments offer the possibility of large rewards but the associated risk is also large. Most investments would fall somewhere in between these two extremes.

Although it is easy to measure returns, measuring and quantifying risk is far more difficult. The canonical framework used in finance to formalize the risk/return tradeoff is the Capital Asset Pricing Model (CAPM). According to the CAPM, the only risk factor investors should care about is the market factor. In “Aggregate Jump and Volatility Risk in the Cross-Section of Stock Returns,” Weinbaum investigates whether other factors matter besides the market factor. Specifically, he considers jump and volatility risk.

Jump risk is the risk of sudden large market movements such as stock market crashes. Volatility risk is the risk the market environment may become more uncertain in the future. People have traditionally thought of these two kinds of risks as being similar. In his paper, Weinbaum shows this is actually not the case: jump and volatility risk can both be measured separately and both are important economically.

He uses options to disentangle jump and volatility risk. Options are financial instruments that give investors the right, but not the obligation, to buy or sell in the future at a price predetermined in the contract today. Thus, option prices should contain forward looking information we would expect to be highly relevant.

Weinbaum finds this is indeed the case: options make it possible to separately measure jump and volatility risk. This allows him to test whether investors care about these risks and to estimate the associated risk premia. The main result is that investors care about both jump and volatility risk: they treat these risks as separate and both risks carry large premia.
VALUING THE CONTRIBUTION OF CROSS-TRAINED EMPLOYEES


Many service businesses require a variety of skills to deliver the mix of benefits they offer their customers. Because demands for those services are often uncertain, managers frequently cross-train their employees to help “pool” demand and improve service levels without increasing headcount. However, for service businesses that operate beyond the normal 8 AM-5 PM workday, the benefits of cross-trained workers are intermittent because their skills are accessible only when they are on duty. Those times are largely determined by employee scheduling decisions and provisional allocation decisions that are made one to six weeks in advance of realized demand. Constrained by the size and skills of the workforce, those decisions influence a significant portion of the service delivery system’s total labor expense. For profit-oriented mass services, such as fast food, retail, auto repair and even contact centers, those decisions also influence sales and revenue.

However, estimating how changes in the number of workers scheduled for duty affect revenues is often difficult. Uncertain demand and uncertain employee attendance complicate efforts to assess the expected performance of a workforce schedule for cross-trained workers, because each realization of actual attendance and demand presents a new challenge: how to allocate available staff to realized demand to maximize net income. With literally billions of different possible combinations of realized attendance and demand, it is hardly surprising that most existing workforce scheduling models for cross-trained employees ignore the joint variability in attendance and demand. Instead, Easton finds that cross-trained worker scheduling decisions are typically based on simpler independent expectations of future employee attendance and service demand. Although this strategy is expedient, Easton shows it systematically undervalues cross-training and leads to suboptimal staffing and scheduling decisions.

After establishing the theoretical basis for the limitations of the “independent expectations” approach to cross-trained workforce scheduling, Easton proposes a two-stage stochastic program for cross-trained workforce scheduling decisions. Applied to hypothetical profit-oriented workforce scheduling problems for cross-trained employees, Easton finds the proposed model, which is guided by service completion estimates based on the convolution of attendance and demand, recommends solutions that use an average of 69 percent more cross-trained workers but 10 percent fewer specialists than the conventional solutions to the same problems, while yielding an average of 2.4 percent more profit.
SOME ENTREPRENEURS CAN’T GET ENOUGH. WHY DO THEY KEEP DOING IT?


Habitual entrepreneurs—namely, those entrepreneurs who launch multiple start-ups throughout their careers—are an important category of entrepreneur both in terms of the large number of new firms they create and the unique way they participate in venture-creation activities. Not surprisingly, researchers have studied what differentiates habitual entrepreneurs from other entrepreneurs, such as their backgrounds, behaviors, motivations and performance. They also have explored how habitual entrepreneurs’ prior knowledge, experience and social networks may enhance their performance. However, all these studies have addressed the habitual entrepreneurship from a perspective of how they continually engage in entrepreneurial activity. In that research, there is an implicit assumption that this repeated behavior is highly desirable and leads to a variety of positive outcomes for society, the venture and the entrepreneur. In their paper, “Habitual entrepreneurs: Possible cases of behavioral addiction?,” Haynie and McKelvie extend understanding of habitual entrepreneurship by asking a more fundamental question: “why do habitual entrepreneurs keep starting new businesses?” In doing so, they adopt a potentially provocative lens of behavioral addiction to suggest some habitual entrepreneurs develop a “need” to engage in repeated entrepreneurial activity. They, thereby, call attention to the possibility this behavioral addiction to entrepreneurship may have negative consequences, thus addressing the less-studied root causes of the “dark side” of entrepreneurship.

Through interviews with two habitual entrepreneurs, the authors demonstrate it is possible for some habitual entrepreneurs to exhibit addictive tendencies based on similar models of behavioral addiction as gambling or internet usage. They identify that “addicted” habitual entrepreneurs may experience symptoms typical of other behavioral addictions manifesting as obsessive thoughts, withdrawal/engagement cycles, tight ties of the behavior to feelings of self-worth, tolerance, neglect of previously important friends and activities; and negative outcomes—emotional outcomes (e.g., guilt, lying and withholding information about the behavior from others), increased or high levels of strain and negative physiological/health outcomes.

McKelvie and Haynie identify aspects of the experience of being an entrepreneur that can act as reinforcers of an addiction to entrepreneurship among some habitual entrepreneurs. Some of these aspects include the physiological arousal from operating within a context of uncertainty and ambiguity, the intensity and range of emotions that can be tied to various on-going entrepreneurial activities and outcomes, and the close identity ties between the entrepreneur and his/her venture. Together, these findings offer some explanation to a previous finding that entrepreneurship activities may come at the expense of other life activities, leading to strained relationships, health, etc., as well as an increased frequency of entrepreneurial activities over time, thereby offering a potential psychological explanation for the dark side of entrepreneurship.
Liang’s paper examines how the reporting model for a firm’s operating assets affects the accuracy of different types of analyst forecasts. She contrasts UK and US investment property firms having real estate as their primary operating asset. These firms invest in real estate assets for rental income and/or capital appreciation. The setting is advantageous because (i) it is among the few industries in which fair value reporting can be observed for the firm’s primary operating assets; (ii) it exploits the primary reporting difference for this industry across these two countries: UK (US) firms report these assets at fair value (historical cost); and (iii) despite the latter reporting difference, this industry is highly developed in both countries, with each having a substantial number of publicly-traded firms, relatively liquid property markets and a large number of analysts following these firms.

To assess analyst forecast accuracy, Liang assesses the accuracy of a balance sheet-based forecast (net asset value or NAV) and an income statement-based forecast (earnings-per-share or EPS). NAV forecasts are commonly applied in the investment property industry and are primary inputs into analyst’s target price estimates. They are calculated by taking the estimated fair value of the firm’s assets, which are primarily the real estate properties, and subtracting the estimated fair value of the firm’s liabilities, primarily debt. As such, NAV provides an estimate of the value of the firm’s net assets in place. EPS forecasts represent analysts’ estimates of the firm’s ability to generate income. Liang notes that this industry is among the few for which both balance sheet and income statement forecasts are commonly observable.

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She predicts and finds higher NAV forecast accuracy for UK relative to US firms, consistent with the fair value reporting model revealing private information that is incorporated into analysts’ balance sheet forecasts. Her findings show this difference is attenuated when the fair value and historical cost models are more likely to converge: during recessionary periods. Finally, she predicts and finds lower EPS forecast accuracy for UK firms when reporting under the full fair value model of International Financial Reporting Standards (IFRS), in which unrealized fair value gains and losses are included in net income. This is consistent with the full fair value model increasing the difficulty of forecasting net income through the inclusion of non-serially correlated elements such as these gains/losses.

Overall, the results indicate the fair value reporting model enhances analysts’ ability to forecast the balance sheet, but the full fair value model reduces their ability to forecast net income.
ACCOUNTING ERROR RATES LOWER POST-SOX


An extensive literature has examined errors in accounting populations and auditor sampling performance. Changes in the accounting and auditing environments since the passage of the Sarbanes-Oxley Act (SOX) and the creation of the Public Company Accounting Oversight Board (PCAOB) have likely impacted accounting population error rates and audit sampling procedures. This study investigates accounting population error rates and auditor sampling performance for a unique proprietary post-SOX data set of 160 audit sampling applications for a large international auditing firm. Accounting error rates are significantly lower in magnitude and frequency in the post-SOX period compared to the error rates found in previous studies. The lower error rates likely reflect improvements in control procedures related to Section 404 control reporting, as well as continued improvements in accounting information technology.

STARTING A BUSINESS IS NO LONGER A YOUNG PERSON’S GAME

Maria Minniti, “Aging and Entrepreneurial Preferences” (with Kautonen, T. and Down, S.), Small Business Economics Journal, April 2013.

Conventional wisdom holds that entrepreneurial activity is a “young person's game.” This, however, may no longer tell the entire story. In her recently published paper, “Aging and Entrepreneurial Preferences,” Maria Minniti finds that entrepreneurial activity increases with age for individuals who prefer only to employ themselves (self-employers), whereas it increases up to a critical threshold (late 40s) before decreasing for those who want to employ staff (owner-managers).

Using data from 2,566 individuals from across 27 European countries, the paper breaks down the motivation behind different forms of entrepreneurial behavior. Results from the study show that the likelihood of taking the step from thinking about starting a business to actually acting upon the idea increases with age up until the early 60s—but only for individuals who aim to employ themselves. Individuals in their 50s and 60s don’t tend to start businesses that aim to generate employment and grow. The opportunity for starting a business increases with age, because many entrepreneurial resources—such as the amount of disposable income, assets that can serve as collateral for bank loans, social capital and professional and industry experience and knowledge—accumulate with age.

Although it is unrealistic to expect older entrepreneurs to make substantial contributions to job creation, it is possible that self-employment as an attractive late-career option could lead to longer working careers, because self-employed people tend to retire later than employees. In addition, increasing awareness of entrepreneurship among older age groups might boost their participation in social and economic life, such as social enterprise and voluntary work, which may generate modest economic benefits and contribute towards a better quality of life.
HONORS, AWARDS AND RECOGNITION

CATHERINE MARITAN, associate professor of management, has been appointed senior associate editor of the Journal of Management, effective July 1, 2014. In this capacity, which is second in line to the editor-in-chief, Maritan will be in charge of the strategy, organizational theory and entrepreneurship sections. She will be assisted by a team of associate editors.

In early 2013, MARIA MINNITI, the Bantle chair in entrepreneurship and public policy, directed the annual Global Entrepreneurship Monitor (GEM) PhD Students and Junior Faculty Workshop at University Tun Abdul Razak in Kuala Lampur (Malaysia) with 54 attendees from more than 40 countries. In June, she delivered the keynote speech at a conference on family business organized by the University of Bergamo (Italy) and EM-Lyon (France). In July, she ran a workshop for PhD students and junior faculty from eight countries organized by GEM and Johanneum University of Applied Science in Austria.

RAJA VELU, professor of managerial statistics, received the 2013 Chancellor’s Citation for Excellence Award. Among the reasons cited by the award selection committee was his research activities, including his special and continuous contribution to the strengthening of the University’s ties with JPMC.

OTHER HONORS AND AWARDS

LINNA SHI, PhD 2011; Ravi Dharwadkar, professor of management; and David Harris, professor of accounting, received the best paper award at the 2013 Mid-Atlantic Regional Meeting of the American Accounting Association (AAA-MA). The paper is titled “Board Interlocks and Earnings Quality.”

NATARAJAN BALASUBRAMANIAN, associate professor of management, has been invited to join the editorial board of the Journal of Management, effective July 1, 2014.

FRED EASTON, professor of supply chain management and director of the Robert H. Brethen Operations Management Institute, received the 2013 “Outstanding Associate Editors” award for Decision Science.

JOSEPH WARBURTON, assistant professor of finance, has been selected to present at the 14th annual session of the Harvard/Stanford/Yale Junior Faculty Forum, which is dedicated to highlighting and promoting outstanding scholarly work of approximately one dozen junior scholars. His work is titled “Labor Unions and the Cost of Debt: Firm-Level Evidence from Union Elections.” This is the second year Warburton’s work has been selected.

YILDIRAY YILDIRIM, associate professor of finance and chair of the finance department, is serving on the program committee of the 2014 American Real Estate and Urban Economics Association (AREUEA-ASSA) Conference. He was also a member of the organizing committee of the 2013 Borsa Istanbul Finance and Economics Conference (BIFEC). Additionally, Professor Yildirim has joined the editorial board of Mathematical Finance Letter.


ALEX MCKELVIE, associate professor and chair of the entrepreneurship and emerging enterprises department, has joined the Board of Reviewers of the Babson College Entrepreneurship Research Conference. The appointment is for three years, starting 2014. He has also joined the editorial boards of the Journal of Business Venturing and International Small Business Journal.

DINESH GAURI, associate professor of marketing, has joined the editorial review board of Journal of Academy of Marketing Science (JAMS).

RANDY ELDER, professor of accounting, has been appointed to the editorial board of Issues in Accounting Education.
DENIS GRÉGOIRE, assistant professor of entrepreneurship, has joined the editorial boards of the *Academy of Management Journal* and the *Journal of Business Venturing*.

KRIS BYRON, associate professor of management and chair of the management department, has been appointed a member of the SHRM Foundation Dissertation Grant Committee, HR Division, Academy of Management, 2013.

JOHAN WIKLUND, professor of entrepreneurship, has joined the editorial review board of the *Academy of Management Journal*.

PADMAL VITHARANA, associate professor of MIS, co-chaired a track at AMCIS 2013 titled “Analysis and Design for Service-Oriented Enterprises.”

A paper of TOM LUMPKIN, the Chris J. Witting chair in entrepreneurship, has received an Honorable Mention for Best Paper of the Year at *Family Business Review*. The paper is titled, “The Landscape of Family Business Outcomes: A Summary and Numerical Taxonomy of Dependent Variables” (with Brigham, K.; Sorenson, R. and Yu, A.).
YITZHAK FRIED is a professor of management. He teaches courses in human resources management and organizational behavior. His research focus is on the contribution of context in the areas of work stress, job and office design, motivation, performance appraisal and diversity.

YITZHAK FRIED has been awarded fellow status by the American Psychological Association (APA). This award, which recognizes Fried’s thematic research accomplishments and their impact on the field of psychology, follows another significant recognition he earned. In 2011, Fried was honored as a fellow in the Society of Industrial and Organization Psychology, a division of the APA.

Having earned these distinctions, Professor Fried has distinguished himself as a leading researcher, teacher and contributor in the fields of organizational behavior and human resources. He considers this recognition for his research to be of the highest praise. “Intrinsically, in our profession, there is nothing more satisfying than to be engaged in researching interesting phenomena for the purpose of producing basic and applied knowledge,” shares Fried. “Being recognized by my peers is a great honor and enhances my commitment to my research endeavors.”

Fried’s research is focused primarily on the contribution of context in the areas of job and office design, work stress, performance appraisal and, more recently, diversity in the workplace and cross-cultural issues. To enhance the validity of his findings, he has based his research on various methodologies, such as longitudinal design, primary and secondary data sets, multiple samples and data from multiple constituents in the organization.

Most of his research has been built around collaboration with a select group of colleagues and PhD students with whom he has worked over the years. Fried estimates about 50 percent of his publications have been co-authored with PhD students and junior colleagues, and he counts this collaboration as key to his success. “Interacting and collaborating with colleagues on a regular basis has helped generate stimulating ideas and maintain an ongoing process of research activities,” says Fried. “My work with PhD students is always an exciting process of reciprocal idea sharing and collaboration in which I help train and develop the students and they, in turn, actively assist with the advancement and completion of research projects.”

Although many with the number of years and accomplishments Fried has amassed choose to slow down their research activities, Fried is still energized by the process and results. “I simply enjoy doing it. There is nothing more rewarding in academia than to be involved in research and dissemination of research-based knowledge to students,” he explains.

Though he is personally motivated to continuing conducting research, he certainly recognizes the challenges involved. Research is undoubtedly time and energy consuming. “Maintaining a consistent valuable contribution to one’s streams of research requires strong commitment and dedication,” continues Fried.

He is quick to point out the effect of today’s borderless business world in the practice of research. “The global economy has also allowed for more substantial opportunities for research collaboration in the international arena, as is evident with my recent collaborative project on human resource practices in eight multinational companies.”

He views global collaboration in research as a lasting and significant trend. “I see the creation and maintenance of collaborative work with colleagues from different countries and cultures as an important vehicle to continually advance my research interests. This is the advice I also give to our PhD students who plan to join academia.”

The work gives future research direction to the discipline considering both short-term profitability and long-term sustainability. It considers conventional concepts of structure, roles and rules as well as family/firm processes, the uniqueness of family businesses and the essence of their resilience capacity.


This book by Whitman Professor Fernando Diz and the school’s benefactor, Martin J. Whitman, covers such standard topics as creditworthiness, market efficiency, diversification and financial accounting. It also includes descriptions of more controversial ideas about the overriding importance of tangible net asset value, the shortcomings of the Graham–Dodd approach to value investing and the irrelevance of both modern capital theory and broker/dealer research.


This two-volume set provides a fresh, temporal perspective on some of the most important and thriving areas in management research today. Volume 1 considers how time impacts the individual and includes chapters on identity, emotion, motivation, stress and creativity. Volume 2 considers time in context with the organization, exploring a temporal understanding of leadership, HRM, entrepreneurship, teams and cross-cultural issues, as well as conceptual views of methodological choices.

**SELECTED BOOKS AND MONOGRAPHS**

**SELECTED TEXTBOOKS**


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, forthcoming.

ALEJANDRO AMEZCUA

KRIS BYRON

FRED EASTON

RANDY ELDER


“Instructional case on the Peregrine fraud” (with Caster, P. and Janvrin, D.), Issues in Accounting Education, forthcoming.

SCOTT FAY

MITCH FRANKLIN

“To Be or Not To Be: Not for Profit Organizations. IRS May be Watching You” TAXPro Journal, forthcoming.

YITZHAK FRIED


DINESH GAURI

DENIS GRÉGOIRE

J. MICHAEL HAYNIE

ROGER KOPPL

LIHONG LIANG

TOM LUMPKIN

TRIDIB MAZUMDAR
“Counterfactual Decomposition of Movie Star Effects with Star Selection” (with Li, B. and Liu, A.), Management Science, forthcoming.

ALEX McKELVIE


KATE MIN

MARIA MINNITI


TODD MOSS

JULIE NIEDERHOFF
“Fairness in Selling to the Newsvendor” (with Wu, X.), Production and Operations Management, forthcoming.

PATRICK PENFIELD

MILENA PETROVA


JOSEPH WARBURTON

DAVID WEINBAUM

JOHAN WIKLUND


YILDIRAY YILDIRIM

SELECTED JOURNAL PUBLICATIONS AND BOOK CHAPTERS

DAVID GRAS

DAN HSU

ROBERT NASON


MICHAEL SHAFER
“Operational Risk and Equity Prices” (with Yildirim, Y.), *Finance Research Letters*, forthcoming.

SHARON SIMMONS

PHD ALUMNI NEWS

AJIT APPARI, PhD ’08 (MIS), joined the University of Texas School of Public Health as a tenure-track assistant professor in May 2013. Prior to that, Appari was a research fellow at the Center for Digital Strategies at the Tuck School of Business at Dartmouth College.

The work of GREGORY LAURENCE, PhD ’12, coauthored with Yitzhak Fried, professor of management, is referenced in an interview he gave for *O, The Oprah Magazine*, December 2013. The magazine articulated cited a recent study that found people in open work spaces who had brought in personal items—photos, posters, kitschy figurines, artwork—were less likely to report feeling emotionally exhausted. “This kind of personalization allows workers to regain a sense of privacy and control of their environment,” says Laurence, who is an assistant professor of management at the University of Michigan, Flint. “You’re saying to coworkers, ‘This is what I want you to know about me’, and that autonomy, no matter how small, appears to reduce burnout.”

SHARON SIMMONS, PhD ’12, was named a 2013 Finalist for the National Federation of Independent Businesses (NFIB) Dissertation Award. She was also chosen in August 2013 as the assistant vice chair of Member Experience, Communications Committee, Entrepreneurship Division, AOM.
DAVID GRAS

DAN HSU
“Serial Entrepreneurship Intentions: Integrating Dispositional and Situational Contexts through Regulatory Fit” (with Carr, J. and Simmons, S.), The 2013 Annual Meeting of the Academy of Management, Orlando, FL.

“Serial Entrepreneurship Intentions: Integrating Dispositional and Situational Contexts through Regulatory Fit” (with Carr, J. and Simmons, S.), The 2013 Annual Meeting of the Strategic Management Association, New Orleans, LA.

ROBERT NASON
“The Role of the Family Institution in Economic Activity: Evidence from Impoverished Indian Households” (with Lumpkin, G. T., presented by Lumpkin, G. T.) Family Enterprise Research Conference, Viña del Mar, Chile, May 2013.


“Neither Open nor Closed: Organizational Boundary Permeability and New Venture Growth” (with Wiklund, J. and McKelvie, A.), Babson College Entrepreneurship Research Conference, Lyon, France, June 2013.

“Testing and Extending Penrose: A systematic assessment using contemporary growth research” (with Wiklund, J. and Brinckman, J.), Great Lakes Entrepreneurship Network Conference, Ohio State University, Columbus, Ohio, May 2013.

SHARON SIMMONS

“Online Experiential Approach to Entrepreneurial Opportunities,” The 2013 Academy of Management Teaching and Learning Conference, Orlando, FL.


2013 VISITING SCHOLARS

CHRISTIAN BECKER, from Pennsylvania State University, presented “Sustainable Enterprises: An Inter- and Transdisciplinary Research Perspective.”

 DANIEL BENEISH, from Indiana University, presented “Defying Gravity: Costly Signaling to Mislead or to Inform?”

 JOHN CLAPP, from the University of Connecticut, presented “Real Option Value over a Housing Market Cycle.”


 PRAVEEN KOPALLE, from Dartmouth College, presented “Quality and Quality Claims: The Impact of Competition and the Cost of Overstating Quality.”

 ALOK KUMAR, from University of Miami, presented “Geographic Diffusion of Information and Stock Returns.”

 RICK LAUX, from Penn State University, presented “Do Firms Use Tax Reserves to Meet Analysts’ Forecasts? Evidence from the Pre- and Post-FIN 48 Periods.”

 HAI LU, from University of Toronto, presented “Information Leakage and Wealth Transfer in a Connected World.”

 CANDACE MARTINEZ, from Saint Louis University, presented “Why Institutions Matter for Business and Society.”

 CIAMAC MOALLEMI, from Columbia University, presented “The Cost of Latency in High-Frequency Trading.”

 MOSES MUSAAZI, from Makerere University in Kampala, Uganda, presented “Creating Independence: The Future of Social Entrepreneurship.”

 SHUBA SRINIVASAN, from Boston University, presented “Brand Portfolio Strategy and Firm Performance.”

 BHASKARAN SWAMINATHAN, Partner and Director of Research, LSV Asset Management, presented “Predicting Time-varying Value Premium Using the Implied Cost of Capital: Implications for Countercyclical Risk, Mispricing and Style Investing.”

 PETER THOMPSON, from Emory University, presented “New Firm Performance and the Replacement of Founders.”

 CHARLES WASLEY, from the University of Rochester, presented “Measuring Real Activity Management.”

 ROBERT WISEMAN, from Michigan State University, presented “Executive Stock Options as Mixed Gambles: Revisiting the Behavioral Agency Model.”

 MUGE YAYLA-KULLU, from Rensselaer Polytechnic Institute (RPI), presented “Capacity Investments and Product Mix Choice under Economic Uncertainty.”

 PAUL ZAROWIN, from Stern’s School of Business at New York University, presented “All in the Family: Earnings Management Through Non-listed Subsidiaries.”

 XIAOYAN ZHANG, from the Krannert School of Management at Purdue University, presented “Anticipating Uncertainty: Straddles Around Earnings Announcements.”

 HAO ZHAO, from the Lally School of Management and Technology at RPI, presented “Personal Motives, Moral Disengagement and Unethical Decisions by Entrepreneurs.”
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