

## To Boost Creativity, Raise the Roof

Higher ceilings may do more than create a sense of spatial openness. They may also open people's minds to new ideas, say researchers Rui "Juliet" Zhu, assistant professor of marketing at the Sauder School of Business at the University of British Columbia in Vancouver, Canada, and Joan Meyers-Levy, professor of marketing at the Carlson School

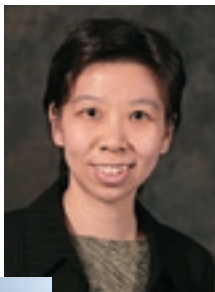


Joan Meyers-Levy

of Management at the University of Minnesota in Minneapolis. In their paper, "The Influence of Ceiling Height: The Effect of Priming on the Type of Processing People Use," the researchers found that the higher a room's ceiling, the better people can conceive abstract and creative ideas.

Zhu and Meyers-Levy ran their experiment with 170 participants. They placed one group in a room with 10-foot ceilings and asked them to solve anagrams that represented freedom-related target words (such as "free" and "open") and confinement-related target words (such as "limited" and "constraint"). Participants also created categories for specific types of items, such as fruit. A second group performed the same tasks in the same room; however, this time the room had been equipped with a dropped ceiling, which reduced ceiling height to 8 feet.

The researchers found that the high-ceiling group responded faster and thought in more abstract terms



Rui "Juliet" Zhu

than the low-ceiling group. "Those in the high-ceiling room responded faster to the freedom-related words," says Zhu. "Those in the high-ceiling room also were more likely to generate abstract criteria in the fruit categorization task, such as nutrition level and shape."

Meyers-Levy first became interested in the topic when she boarded an airplane and noticed how the confined space negatively affected her mood. She and Zhu were both surprised to find few or no studies on the topic. The two hope that their work will not only be useful in the design of residential, commercial, and educational spaces, but also encourage more studies on the effects of space on human health and safety. Their paper will appear in the August issue of the *Journal of Consumer Research*.

## Want to Know the Weather? Check the Markets

Economists at Penn State's Smeal College of Business and College of Earth and Mineral Sciences have partnered in an unusual study: to see whether the futures market could be used to predict weather events. So far, these researchers have found the markets to be as accurate at predict-

ing the weather as major forecasting services such as AccuWeather, the BBC, CNN, and the U.S. National Weather Service.

Smeal's Laboratory for Economics Management and Auctions is currently in the midst of its two-year experiment that has been funded by the National Weather Service. In the experiment, business and meteorology students use allotted funds to bet on what they believe the high and low temperatures will be in different U.S. cities on a given day. As the going rates for various temperatures fluctuate within the market, the researchers can weight the market's confidence in what temperatures will be reached.

For instance, the markets for March 8 were focused on Tucson, Arizona. Students could buy or sell contracts betting on a high temperature of 74 degrees or less, 75 to 76 degrees, 77 to 78 degrees, 79 to 80 degrees, 81 to 82 degrees, or 83 degrees or more. If a participant thought the temperature would be 81 degrees on March 8, he would offer to buy an 81- to 82-degree contract for a price of up to \$1. How close to \$1 he offered represented his confidence in his prediction. A seller could then accept or reject the offer.



**"BY USING MARKETS TO FORECAST SOMETHING AS UNPREDICTABLE AS THE WEATHER,  
WE'RE TESTING THE LIMITATIONS OF FUTURES MARKETS."**

—Anthony Kwasnica, Penn State

## UPCOMING & ONGOING

### ■ NEW CHINA-SWEDEN CENTER

Sweden's Stockholm Business School recently opened the Center for Research on the Chinese Economy, with the objective of strengthening ties between the Chinese and Swedish economies. Targeted research and regular seminars will educate the Swedish business community about China's economic environment. The establishment of the center reflects the fact that China is Sweden's most important trading partner in Asia, with more than 400 Swedish firms active in the region. The business school will run the center jointly with telecommunications company Ericsson and work closely with China's Beijing University.

### ■ BATTLING OBESITY

As part of the University of Pennsylvania's "Ideas in Action" initiative, Americus Reed II, marketing professor at the University of Pennsylvania's Wharton School in Philadelphia, and undergraduate students in his consumer behavior course will conduct research to develop a youth obesity prevention program. For the project, Reed has partnered with Calvin Johnson, Secretary of Health for Pennsylvania, and Samuel Botts, Wharton alumnus and owner of Philadelphia-based VIGORworks Fitness Center. Based on their analysis, Reed's students will design anti-obesity marketing campaigns, which they will execute at Bott's fitness facility. Then, says Reed, they'll report the results of their research to Secretary Johnson.



### ■ INSTITUTE FOR ENTREPRENEURSHIP

The Boston University School of Management in Massachusetts recently announced the creation of its Institute for Technology Entrepreneurship and Commercialization (ITEC). ITEC will bring together the university's business school, medical school, school of public health, law school, college of arts and sciences, and college of engineering to support new entrepreneurs active in a wide range of industries.

### ■ GRANT TO STUDY DEBT MANAGEMENT

The Financial Services Research Program (FSRP) at the George Washington School of Business in Washington, D.C., has received a \$38,500 grant from Chase Card Services to conduct research on successful debt management plans. The grant is the second from Chase to support a two-part study, "Evaluating the Effectiveness of Credit Counseling." Through its research, FSRP wants to improve the quality of financial literacy programs available to consumers.

### ■ CANADA'S FIRST CENTER FOR GOVERNANCE

The Queen's School of Business at Queen's University in Kingston, Ontario, in Canada has launched the CA-Queen's Centre for Governance, a new initiative funded by the Institute of Chartered Accountants of Ontario. The Centre will fund faculty and doctoral research into Canadian and international corporate governance issues. Its first funded research project, which will be led by Queen's professor and center academic director Steve Salterio, will explore the state of internal controls at Canadian public companies.

In this instance, the market forecast, as determined by the students' bets, predicted a high of 83.95 degrees and a low of 53.40 degrees. The actual temperatures in Tucson on March 8? A high of 83 degrees and a low of 54 degrees. On average, the temperatures predicted by the markets have been off by only about 6.6 percent.

Not a bad record, says Anthony Kwasnica, associate professor of business economics. "Investors, political pundits, and sports fans have all used futures markets to successfully predict everything from presidential elections to World Series championships," says Kwasnica. "Our experiment is along those same lines. By using markets to forecast something as unpredictable as the weather, we're testing the limitations of futures markets."

For more details on the experiment, visit [lema.smeal.psu.edu/prediction](http://lema.smeal.psu.edu/prediction).



Anthony Kwasnica

## ■ Customer Surveys Can Mislead

Conducting customer surveys is a time-honored strategy for companies that want to know exactly what their customers want. However, these surveys may not provide companies with the information they truly need, according to a series of seven papers by Itamar Simonson, a professor of marketing at the Stanford Graduate School of Business in California, and Chezy Ofir, academic director of the Davidson Research Center at Hebrew University in Jerusalem, Israel.

THE RESEARCHERS FOUND THAT CUSTOMERS WHO KNEW ABOUT THE SURVEY IN ADVANCE OFFERED MORE NEGATIVE COMMENTS THAN THOSE WHO WERE SURPRISED WITH THE SURVEY UPON EXITING.

Their latest paper, “Customer Compliance with Presumed Market Research Goals,” was written with co-researcher Song-Oh Yoon of Singapore Management University. It comprises interviews with hundreds of customers in Israel and the United States. In this study and

the other studies, the researchers found that most customers want to be helpful in a survey—so much so that many feel compelled to offer constructive criticism more often than they state their true, often positive, opinions about a product or service.

For “Consumer Compliance,” they surveyed customers of a supermarket in the U.S. and a pharmacy in Israel that had reputations for poor service. Customers in one group were told as they went into the store that they would be surveyed about their experience as

## STUDY BRIEFS

### ■ THE VALUE OF STUDY ABROAD

In May, the Council on International Education Exchange (CIEE) presented research on how much employers value a job applicant’s study abroad experience. In a survey of 352 U.S.-based CEOs, senior managers, on-campus recruiters, and human resource professionals, CIEE found that while a majority of these employers valued international experience, different people valued different types of programs. Human resource professionals favored longer, yearlong programs to develop the skills they wanted; senior managers, however, favored shorter, 14- to 18-week internships. Employers who had studied abroad themselves placed a higher value on all study abroad experiences. In addition, in interviews, recruiters often fail to ask about students’ study abroad experience at all, suggesting that career services staff need to prepare students to emphasize that experience in the interview process, say researchers.

### ■ FLEX TIME NOT YET IN FAVOR

Most professionals will exit the workforce, or reduce their working hours, for personal reasons at some point in their careers, according to a recent survey conducted by Tuck Executive Education at Dartmouth in Hanover,

New Hampshire; Fortune 500 consultant Cali Yost; and global marketing firm Aquent. The survey of hiring managers and employees found that only 36 percent of companies currently recruit those who’ve stepped out of the workforce, while only 34 percent recruit individuals who seek flexible work options. “There’s an expanded talent pool ready to be tapped,” says Yost. “But first the workplace must evolve from fixed to flexible career paths, and learn to understand that it’s not about where, when, or why we work, but instead about what we get done.”

### ■ GENDER GAP

Research from the American Association of University Women Educational Foundation (AAUW) finds that one year out of college, women in full-time positions already earn less than men, even when they graduated with the same major and work in the same field. In ten years, that gap widens. According to the report, “Behind the Pay Gap,” women earn only 80 percent of what their male counterparts earn. Even after controlling for hours, occupation, parenthood, and other influences on

salary, the research indicates that 25 percent of the pay gap remains unexplained. “The persistence of the pay gap among young, college-educated, full-time workers suggests that educational achievement alone will not close the pay gap,” says Catherine Hill, AAUW’s director of research.

### ■ A \$5 TRILLION MARKET

A new report finds that the four billion people in the world who live at poverty level still have purchasing power equivalent to US\$5 trillion. The report, “The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid,” measures the size of markets at the base of the economic pyramid using income and expenditure data from household surveys. Released by the International Finance Corporation, a private sector of the World Bank Group, and World Resources Institute, the report highlights the need for governments to reform their regulatory environments to facilitate business, says Michael Klein, vice president for financial and private sector development for the World Bank and IFC. “The report backs up the calls for broader business engagement with the base of the pyramid, stressing the need for the private sector to play a greater role in development,” he says.



they exited; another group was not told of the survey in advance. The researchers found that customers who knew about the survey in advance offered more negative comments than those who were surprised with the survey upon exiting.

Simonson and Ofir hope that their research will help companies better conceive and conduct their surveys to elicit customers' most accurate opinions. "The mere fact that consumers are told in advance to form evaluations leads them to believe that they are expected to focus on negative aspects," Simonson writes in their paper. That assumption, say the researchers, can unwittingly change customer responses and behaviors.

## ■ VCs Are No Angels For Internet Startups

A study forthcoming in the *Journal of Business Venturing* suggests that while the support of venture capitalists (VCs) may be beneficial to most startups, it may be less helpful for Internet businesses. The involvement of venture capitalists actually decreases the chances of success for Internet startups, according to finance professors Narayanan Jayaraman of the Georgia Institute of Technology's College of Management in Atlanta, Omesh Kimi of Georgia State University's Robinson College of Business in Atlanta, and Bharat A. Jain of Towson University's College of Business and Economics in Maryland.

In their paper, "The Path to Profitability of Internet IPO Firms," the three researchers examined 160 Internet firms that staged initial public offerings (IPOs) during the dot-com boom of 1996 to 2000.



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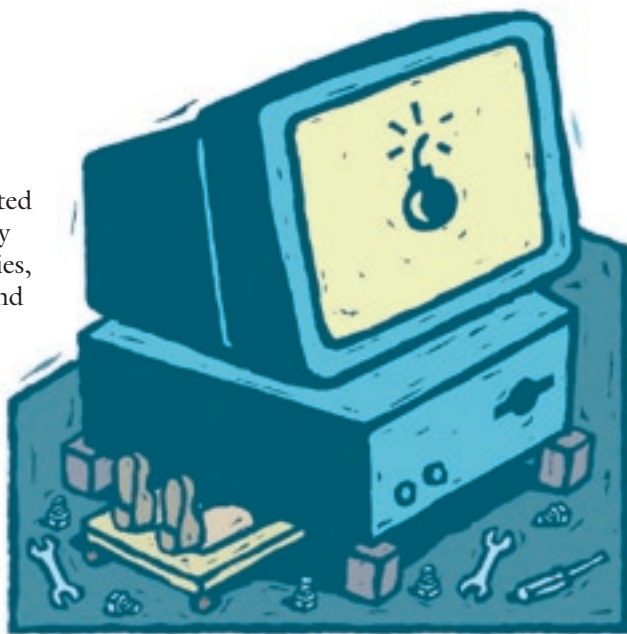
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They found that VCs contributed to the dot-com bust not just by investing in nonviable companies, but also by cashing out early and leaving companies to fend for themselves. Their research also pinpointed other indications that an Internet company might not make it, such as a drop in ownership among the top three managers, which conveys their lack of confidence in the company; an oversized IPO, which invites mismanagement of funds; and a large number of outsiders on the board.

On the other hand, signs of a promising Internet company include pre-IPO investor demand, years in business, and the number of employees it has on the payroll. An entrepreneurial spirit, expertise, and a tendency to take risks also play large roles in a startup's success. Surprisingly, the study didn't find that an experienced CEO or reputable CFO accelerated the time it took for an Internet company to turn a profit.

The study is particularly relevant because data indicates that the number of unprofitable Internet companies initiating IPOs is once again on the rise. "We find that venture capital participation leads to a decrease in the likelihood of profitability and an increase in the time required to move firms into the black," Jayaraman says. "Our results suggest that the skills and competencies required of top management are fundamentally different in emerging industries such as the Internet, where prior organizational experience in the technology sector or in reputable organizations does not convey any significant advantages."



Calculator, which can be accessed online at [www.networksfirst.com/calculator/index.htm](http://www.networksfirst.com/calculator/index.htm).

In all cases, WBS researchers note that their findings make it clear that businesses are becoming increasingly dependent on computer networks—when the network fails, it can bring business to a grinding halt. The researchers designed the calculator so that companies could identify

the tangible and intangible costs that an inoperable network represents to companies.

## ■ The True Cost of Network Crashes

**Some industries may be more vulnerable** than others when computer networks fail. Research from the Warwick Business School in the United Kingdom indicates that the retail industry may take the hardest hit in the case of a network crash.

The research, which WBS conducted for network support services provider Networks First, found that the downtime cost for the retail industry would likely average £350,000 per hour; the financial industry, by comparison, would lose £100,000 per hour. As a result of their analysis, WBS researchers devised a Network Downtime

## ■ The Cost of Low Self-Esteem

**High self-esteem in youth can lead to** higher salaries as adults, according to researchers at the University of Florida's Warrington College of Business Administration in Gainesville. In fact, self-confidence in youth may lead to hundreds of thousands of dollars more in salary over a lifetime, according to management professor Timothy Judge and graduate student Charlice Hurst.

The two used data from the U.S.-based National Longitudinal Survey of Youth, a nationally representative sample that included 12,686 men and women. Participants were first interviewed in 1979, when they were between the ages of 14 and 22. Their self-esteem was measured by how they responded to prompts such as "What happens to me is of my own doing," "I feel I have a number of good qualities," and "When I make plans, I am almost certain to make them work." Participants were interviewed again



Narayanan Jayaraman and Omesh Kimi

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in 1994 and every two years after. Income findings were collected in 2002, when participants' ages ranged from 37 to 45.

Controlled for race and gender, the study evaluated mid-life income of participants by examining their educational levels, grade point averages, SAT scores, child poverty levels, parents' education, and parents' occupations.

According to the study, childhood affluence raised the average adult salaries of those who lacked self-confidence by only \$7,000; for self-confident individuals, affluence raised their salaries by \$28,000. Similarly, parents' occupations made no difference in the earnings of those with low self-esteem. On the other hand, self-confident individuals whose parents were professionals earned more money than self-confident individuals whose parents were laborers and individuals who lacked self-confidence.



Timothy Judge

For example, self-confident participants with economist fathers and chemist mothers earned average annual salaries of \$96,200, compared to only \$50,968 for similarly positioned participants with low self-confidence.

It's of little surprise that those from affluent, well-positioned families have advantages in the workplace. But for many, socioeconomic advantages aren't the keys to economic success later in life, says Judge. "In light of popular beliefs that kids from middle- and upper-class families have it made," he says, "it is surprising to see what little positive impact socioeconomic status has in the absence of self-esteem." 