



Political Views Affect Perceptions of Skin Tone

How dark or light an individual perceives a political candidate's skin tone to be can be affected by that individual's own political views. So finds a recent study by Eugene Caruso, assistant professor of behavioral science at the



Eugene Caruso

University of Chicago Booth School of Business in Illinois; Emily Balcetis, assistant professor of psychology at New York University in New York City; and

Nicole Mead, a postdoctoral fellow at Tilburg University in The Netherlands.

Caruso, Balcetis, and Mead showed undergraduate students a set of photos of President Barack Obama. The photos were taken during the 2008 presidential debates or included on his campaign Web site. The students were asked which images were most representative of President Obama. Next, they were asked questions about their own political beliefs.

Unknown to the students, the

researchers had digitally lightened or darkened Obama's skin tone in some photographs, while leaving other photographs unchanged.

In the experiment, students who identified as liberals chose the lightened photos as most representative of President Obama; those who identified as conservatives more frequently chose the darkened photographs.

These results suggest that racial perceptions go beyond black and white, says Caruso. An individual's political outlook also could affect how he or she perceives light-skinned and dark-skinned individuals within the same racial group.

In the future, the researchers want to explore whether these findings also hold true for the mainstream media, in terms of how liberal and conservative media outlets choose different images of political candidates. Knowing whether there is unconscious bias is important, says Caruso, because the images media choose can influence voter behavior.

"Subtle differences in a person's skin tone may affect other consequential decisions in which pictures are part of the evaluation process, such as who we hire for a job," Caruso says.

The paper, "Political Partisanship Influences Perception of Biracial Candidates' Skin Tone," was published in the December 1 issue of *Proceedings of the National Academy of Sciences*.

The Anatomy of Great Fund Managers

If investors want to find a great actively managed mutual fund, they should look for fund managers who *don't* stay the course. Funds with managers who adapt their strategies to market conditions have stronger returns, say

professors from New York University's Stern School of Business.

Finance professors Marcin Kacperczyk and Stijn Van Nieuwerburgh and economics professor Laura Veldkamp examined the top 25 percent of actively managed equity mutual funds. These funds outperformed other funds even after adjusting for risk and accounting for expenses.

The researchers found that the managers of these successful funds shifted their strategies over the business cycle in two significant ways: They invested based on macroeconomic information during recessionary times, and they invested based on microeconomic information during expansionary times.

These managers also were more likely to have earned MBA degrees. They were more likely to run smaller, more actively managed funds, and to move on to hedge fund management later in their careers.

The researchers examined alternative explanations for these results. For instance, they considered the possibility that these funds succeeded not because of superior strategy, but simply by chance; however, a random sampling of funds revealed no similar pattern. They also looked at whether fund managers became naturally more risk-averse during recessions, but found that explanation did not account for their results.



Marcin Kacperczyk



Stijn Van Nieuwerburgh



Laura Veldkamp

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This research may offer investors a way to restore their lost confidence in the financial markets and the people who manage their money. During boom times, the researchers write, it's harder for investors to distinguish managers who are skilled from those who are just lucky. "Recessions," they continue, "are times when differences in performance are magnified and skill is easier to detect."

Their paper, "Attention Allocation over the Business Cycle," is available at ssrn.com/abstract=1411367.

Containing Blame Epidemics

Blame can spread as quickly as a viral contagion, according to two California researchers. Once the leaders of an organization begin to blame individuals publicly for a problem—whether or not they're actually responsible—that practice will start to spread, say Nathanael Fast, assistant professor of management

and organization at the University of Southern California's Marshall School of Business in Los Angeles, and Larissa Tiedens, professor of organizational behavior at Stanford Business School.

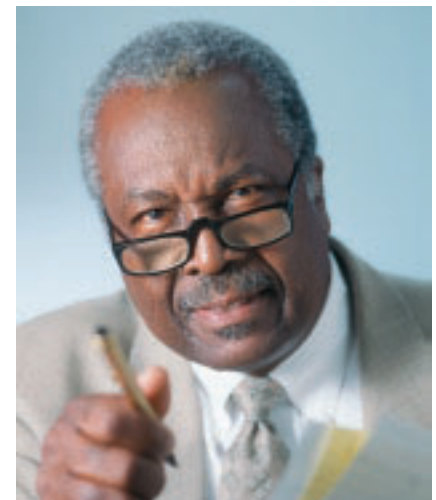
"When we see others protecting their egos, we become defensive," says Fast. "We then try to protect our own self-image by blaming others for our mistakes." That impulse can lead to employees who are less innovative, less willing to take risks, and less likely to learn from their mistakes.

In one experiment, Fast and Tiedens asked a group of participants to read a newspaper article about California Governor Arnold Schwarzenegger, who blamed special interest groups for the failure of a controversial 2005 special election that cost the state \$250 million. They asked a second group to read an article in which the governor took full responsibility.

The researchers found that those who read the first article

were more likely than those who read the second to blame others for their own mistakes, even though those mistakes were unrelated to the article.

In another experiment, the researchers gave participants the opportunity to affirm their self-worth. In that scenario, the tendency to spread blame was eliminated.



To counteract—and better yet, prevent—epidemics of blaming, managers should create a positive climate by publicly acknowledging their own mistakes, offering public praise to employees, and rewarding employees who learn from their mistakes, say the authors. Software maker Intuit, for example, holds “When Learning Hurts” sessions, where employees can openly discuss and learn from their missteps. If it’s necessary to assign blame, the authors add, managers should do so in private.

“Blame Contagion: The Automatic Transmission of Self-Serving Attributions” was published in the November issue of the *Journal of Experimental Social Psychology*.

Investing Is in the DNA

Investors’ genetics may play a significant role in their investment behavior, say Amir Barnea and Henrik Cronqvist, assistant professors of financial economics at Claremont McKenna College’s Robert Day School of Economics and Finance in California, and Stephan Siegal, assistant professor of finance at the University of Washington’s Foster School of Business in Seattle.

They cross-referenced nearly 38,000 twins in the Swedish Twin Registry—the world’s largest database of twins—with personal financial data. The researchers found that genetics account for, on average, one-third of the variations in behavior among individual investors. That



FOCUS ON FACULTY

Global Warming and the Supply Chain

Environmental changes may transform global supply chain management, says Rouen Business School’s Jérôme Verny.

Jérôme Verny, a professor of supply chain management and logistics at Rouen Business School in France, has long been intrigued by how geography, management, and the supply chain intersect. By focusing his work on transportation and logistics, he hopes to help companies strike a balance between optimal supply chains and sustainable business practices.

Last year, Verny won the “Young Researcher Award” at the second International Transport Forum in Leipzig, Germany, organized by the Organization for Economic Cooperation and Development. He was honored for his paper “Container

Shipping on the Northern Sea Route,” which predicts that, due to global warming and the melting of the Arctic ice sheets, a new, more time-efficient trade route through the Arctic Ocean could be established sometime before 2015.

Currently, the most cost-effective route to ship goods between Asia and Europe is the Suez Canal, also known as the Royal Route, a man-made passage connecting the Mediterranean and Red Seas. If the Northern Sea Route opens up, companies will have a viable second option.



The NSR would offer several advantages, says Verny. It would lessen traffic on the Royal Route; allow speedier passage and reduce delays between regions in Northern Asia and markets in Europe and North America; and allow ships to avoid the coast of Africa, where they are vulnerable to pirate attacks.



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But the environmental stakes are great, says Verny, who stresses the importance of setting the ground rules for the NSR early. While today the Royal Route is more cost-effective than the NSR, that cost differential is likely to decrease over time.

“We must very quickly regulate the movement of these ships,” says Verny. “Countries bordering the Arctic Ocean must agree on circulation rules to protect this very fragile environment—an environment critical to maintaining a planetary climate balance.”

Before now, there have been few, if any, predictions regarding the future of arctic maritime routes, says Verny. But after he presented his paper in Leipzig, Ray LaHood, the U.S. Secretary of Transportation, expressed a desire to work with his counterparts in Russia and

Canada on establishing ground rules for the NSR.

Issues such as this are changing the game in supply chain management, says Verny. It’s true that most companies and consumers are still more interested in keeping costs down than lowering carbon emissions. But in the near future, Verny predicts that companies will have to do more to defend the logic of their supply chain practices in the face of stricter regulations and greater market pressures.

Verny plans to focus his next study on how the use of alternate modes of transportation, such as air blimps, or combined modes of transportation, such as sea-air, can reduce costs while preserving the environment. Some might view the use of air blimps as “unrealistic,” says Verny, but that doesn’t bother him. He notes that

many thought the same about his research on the NSR.

“We can progressively ease the carbon footprint in the sector of transportation logistics,” he says. “We can do so by rethinking our modes of consumption. We can redefine the criteria for industrial localization, reorganize our merchandise flow, and use alternative modes of transportation that are more respectful of the environment.”

Verny’s paper, “Container Shipping on the Northern Sea Route,” is available at www.internationaltransportforum.org/2009/pdf/PrizeVerny.pdf. A revised version is forthcoming in the International Journal of Production Economics.

finding held true whether the twins in the study were raised together or apart. In comparison, factors such as age, gender, wealth, income, and education account for only 5 percent to 10 percent.

The paper “Nature or Nurture: What Determines Investor Behavior?” can be downloaded at papers.ssrn.com/abstract_id=1467088.

Another study also puts genes at the heart of risk and investment. Why do the same people who pursue risks—such as betting at the racetrack—also show themselves to be risk-averse by buying home and car insurance? This was the question explored by Chew Soo Hong, an economist at the National University of Singapore and Hong Kong University of Science and Technology (HKUST);

Zhong Songfa, a visiting scholar of economics at HKUST; and Richard Ebstein, a molecular geneticist from Hebrew University.

The researchers studied the role of the gene monoamine oxidase A (MAOA) in risk taking among 350 Chinese subjects. They found that people with high-activity MAOA variation were more likely to take extreme risks and less likely to purchase insurance than those with low-activity MAOA. Such genetic variants, say the authors, can lead to behaviors that have significant effects on the world economy.

The paper, “Monoamine Oxidase A Gene (MAOA) Associated with Attitude Towards Longshot Risks,” is available at www.plosone.org/article/info%3Adoi%2F10.1371%2Fjournal.pone.0008516.



Women Losing Ground

In its annual Study of California Women Business Leaders, the University of California, Davis, found that women now hold 10.6 percent of board seats and executive positions in the state’s largest 400 firms. That’s down from 10.9 percent in 2008, although still up from 10.4 percent in 2007. Only 15 of these 400 firms have a woman CEO. Author and management professor Donald Palmer also found that firms with no women directors or executives had the poorest environmental performance, while those with the best environmental performance had women in the boardroom *and* the C-suites.

“These data do not tell us why women occupy such a small minority of the board and top management positions in California’s largest firms,” says Palmer. “Whatever is driving this, it’s certainly resistant to change.”

RESEARCH RECOGNITIONS

■ Morgan Stanley and the American Finance Association have given **Michael Jensen** the Morgan Stanley-AFA 2009 Award for Excellence. Jensen is the Jesse Isidor Straus Professor of Business Administration, Emeritus, at Harvard Business School in Cambridge, Massachusetts. He will donate the \$200,000 cash grant he received with the award: \$150,000 will go to the National Bureau of Economic Research to fund a program focused on business ethics. Harvard Business School and the University of Rochester’s Simon School of Business in New York each will receive \$25,000.



■ **Wendy Ceccucci**, professor of information systems management at Quinnipiac University’s School of Business in Hamden, Connecticut, recently won two distinguished paper awards. Ceccucci won the Distinguished Paper Award at the 2009 Information Systems Educators Conference for “Integrating Soft Skill Competencies Through Project-Based Learning Across the Information Systems Curriculum.” She also won the Distinguished Paper Award at the 2009 Conference for Information Systems Applied Research for “An Empirical Study of Text Messaging Behavioral Intention and Usage.”

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Great Sales Don't End—They Just Fade Away

Two researchers have advice for retailers:

Keep price increases gradual after a sale. Michael Tsiros of the University of Miami School of Business in Florida and David Hardesty of the University of Kentucky's Gatton College of Business and Economics in Lexington find that retailers can increase sales and profits after a sale if they return to original prices gradually rather than all at once.

Stores traditionally use one of two methods of sale pricing: Everyday Low Pricing (EDLP), a method championed by Wal-Mart that features regularly low prices with few sales, and Hi-Lo pricing, a method in which stores discount items during a sale, but revert to original prices at sale's end. However, the researchers recommend a different strategy they call "Steadily Decreasing Discounting" (SDD), in which stores progres-

sively move pricing back to original levels after a sale.

"SDD avoids a key problem of the Hi-Lo strategy—the big dive in sales at the end of the promotion," says Tsiros.

In one field study, the researchers tracked the sale of a wine bottle stopper for \$24.95 in an upscale kitchen appliance store. The store alternated between SDD and Hi-Lo pricing every week for 30 weeks. With SDD, the store offered 30 percent off the first day, 20 percent off the second, and 10 percent off the third. With Hi-Lo, the store held two different sales—in the first, it offered the stopper for 30 percent off for two days, before returning to full price; in the second, it offered 20 percent off for three days, before returning to full price.

Hi-Lo pricing increased sales by 63 percent in the first scenario and 75 percent in the second; it increased profits by 5 percent. SDD pricing, however, boosted sales by 200

percent and increased profits by 55 percent.

SDD is more effective than either EDLP or Hi-Lo pricing because consumers hate to miss a lower price on an item, say the researchers. If shoppers see the price steadily increasing, they are more apt to purchase. But that effect disappears in Hi-Lo pricing—if say, the price of an item jumps to \$100 from \$50 after a half-off sale—because the opportunity to buy low already has passed.

"SDD could be particularly effective in the current economic downturn," says Tsiros. "Many retailers have been offering discounts of 60 percent or even 80 percent, and stores can't offer those prices forever. But if they bring prices back up in increments, consumers will have time to adjust."

"Ending a Price Promotion: Retracting it in One Step or Phasing it Out Gradually" was published in the January issue of the *Journal of Marketing*. 