



Parveen Gupta and Anne Anderson

■ Get Specific With Corporate Governance

Researchers at Lehigh University's College of Business and Economics in Bethlehem, Pennsylvania, have found that most corporations don't take into account the financial and legal systems of the countries where they operate when it comes to corporate governance. That oversight can have a negative impact on performance.

Anne Anderson, an associate and chaired professor in finance, and Parveen Gupta, a professor and department chair in accounting, studied 1,732 firms in 22 countries. They created a two-by-two matrix that juxtaposed legal structures (civil law versus common law) and financial systems (market-based versus bank-based). Next, they reviewed 60 governance-related measures that fell into eight categories: boards, audits, charters, states of incorporations, compensation, qualitative reviews, ownership, and education.

They found that as many as 66 percent of the world's corporations invested either too much or too little in corporate governance, given the national financial and legal

systems in which they operate. That discrepancy had a negative effect on the value of these firms. On the other hand, firms that customized their governance practices according to their countries' systems had a better return on investment.

"We wanted to question the traditional thinking that

if you implement good governance, then you increase the value of the firm," says Gupta. "We found that this was not the case overall. Rather, only when you match the level of corporate governance with the financial and legal systems at hand did an increase in performance occur."

That means that overly aggressive or "one-size-fits-all" corporate governance policies don't necessarily lead to better results, the authors say. "When a significant problem arises, most companies begin imposing additional governance mechanisms without thinking," says Anderson. "The problem is, they enact the wrong measures, and that makes for very costly mistakes."

Anderson and Gupta won the Vernon Zimmerman Best Paper Award at the 20th Asian-Pacific Conference on International Accounting Issues last year in Dijon, France. "A Cross Country Comparison of Corporate Governance and Firm Performance: Do Financial Structure and the Legal System Matter?" was published in the January 2010 issue of *The Journal of Contemporary Accounting and Economics*.

■ Don't Always Follow The Popular Crowd

When trying to promote a product and brand, it might not always be best for marketers to seek out the "hip" crowd first. Popular people often are the biggest followers of all, according to a study from the University of Western Ontario's Ivey School of Business in Canada. The study was conducted by doctoral marketing student Seung-Hwan (Mark) Lee, associate marketing professor June Cotte, and doctoral marketing student Theodore Noseworthy.

The researchers focused on two social networks—a students' group and a seniors' club. Those most central to the network were well-positioned to connect individuals in the group and disseminate information to others. However, these centers, or "brokers," also were vulnerable to influence from others in the group as they worked to maintain their status. The researchers call this phenomenon "the opposing flow of influence."

Marketers often make the assumption that those central to a social network wield the most influence, but they should take other factors into account, says Cotte. "By understanding that the group influences the central actor, too, researchers and marketers can better predict behaviors of individuals in the network," she says.

"The Role of Network Centrality in the Flow of Consumer Influence" appears in the January 2010 *Journal of Consumer Psychology*.

■ The Power of Counterfactual Thinking

A recent study finds that those who think about "turning points" in their lives, and imagine what their lives

would be like had those moments not occurred, feel a greater sense of significance than those who don't—the researchers call this process “counterfactual thinking.” Their study finds that people who look back and ask “What if...?” are



less likely to view life's events as arbitrary. As a result, they are often more motivated and analytical in the workplace.

The study was conducted by Laura Kray, Philip Tetlock, and Linda George of the Haas School of Business at the University of California, Berkeley; Adam Galinsky and Neal Rouse of the Kellogg School of Management at Northwestern University in Evanston, Illinois; and Katie Liljenquist of the Marriott School of Management in Provo, Utah.

The six researchers asked a group of student volunteers to relate a key life experience, in a way that prompted the subjects to use counterfactual thinking. They asked another group of students to tell their stories factually. The counterfactual thinkers viewed their experiences as “meant to be” and meaningful, while the factual group

did not see the same significance.

“Getting people to think counterfactually helps them see relations better and construct meaning in their lives,” says Kray. She points to subsequent research led by Hal Ersner-Hershfield, visiting assistant professor at Northwestern University, who found that those who see meaning in their experiences are more likely to feel a sense of commitment to their organizations. That suggests that analytical, counterfactual reflection could be a powerful tool in organizational settings.

Rather than inspire regret, counterfactual thinking actually helps people “define who they are on a professional level,” says Kray. “Counterfactual

reflection about pivotal moments in the past helps people to weave a coherent life story.”

The study, “From What Might Have Been to What Must Have Been: Counterfactual Thinking Creates Meaning,” appeared in the January 2010 *Journal of Personality and Social Psychology*.

■ Achieving Diversity In the NFL

Of 32 head coaches in the National Football League, only six are African American, despite the fact that the NFL is working to increase diversity. But a study from the University of Iowa's Tippie School of Business in Iowa City finds that discrimination is probably not the reason that so few minorities hold top coaching spots.

“Moving On Up: The Rooney Rule and Minority Hiring in the NFL” was authored by John Solow, professor of economics; his son Benjamin Solow, an Iowa graduate who now attends the University of Bologna in Italy; and Todd Walker, economics professor at Indiana University's Kelley School of Business in Bloomington. Their study examines the impact of the NFL's Rooney Rule, a league requirement since 2002, which requires NFL teams with a head coaching vacancy to interview at least one minority candidate.

The authors looked at every promotion of a top-level assistant coach to a head coaching vacancy from 1970 to 2008. In those years, only 80 team seasons were led by African American coaches, compared to 2,058 team seasons led by white coaches.

The researchers found that offensive or defensive coordinators fill most of coaching vacancies in the NFL. And just as successful coordinators are often promoted to head coaching positions, successful lower-level position coaches are often promoted to coordinator positions.

Unfortunately, at the start of the 2009 season, only 12 minorities held one of the league's 67 coordinator positions—that represents only 18 percent of the pool where most head coaches get their starts.

The Rooney Rule is not an effective way for the NFL to achieve diversity, says John Solow. Instead, the league should encourage more minorities to consider



John Solow



position coaching as their collegiate playing careers are ending. In that way, says Solow, they can obtain the experience and leadership recognized during the promotion process—and the NFL would eventually achieve better minority representation in its upper ranks.

Need a CEO? Hire from Within

When it comes to CEO searches, companies are better off looking within their own ranks, say researchers from Rice University's Jones Graduate School of Business in Houston, Texas, and the University of Southern California's Marshall School of Business in Los Angeles. It's among their own employees that they'll find individuals who are most likely to perform well for the long term.

Anthea Zhang of Rice and Nandini Rajagopalan of USC examined the tenure and performance histo-



ry of 193 CEOs who served in the industrial sector between 1993 and 1998. Zhang and Rajagopalan found that for the first few years of tenure, CEOs promoted from within and those hired from elsewhere performed at about the same level. After the three-year mark, however, the former group outperformed the latter.

The reason was simple: It takes time to see the results of changes CEOs make in their first few years of tenure. Boards need to take that into account when they're going through the hiring process, Zhang says.

"When it comes to strategic change, outsiders typically are good at doing the rapid cost cutting and divestment," says Zhang. "As tenure increases, obvious opportunities for cost cutting and divestment dry up. Inside CEOs, because of their deep knowledge and roots in the firm, are more likely to initiate and implement strategic changes that can build the firm's long-term competitive advantage."

"Once an Outsider, Always an Outsider? CEO Origin, Strategic Change and Firm Performance" has been accepted for publication by the *Strategic Management Journal*. It is available at www.rice.edu/nationalmedia/multimedia/ZhangCEO.

Pension Funds Should Decentralize

Decentralization of management is a plus for the British pension fund industry,

UPCOMING & ONGOING

■ DATABASE FOR RESEARCH INSTITUTIONS

Information service company Thomson Reuters has begun its ambitious Global Institutional Profiles Project, a resource that will provide data-driven portraits of the world's research institutions. The resulting database will include peer reviews, scholarly outputs, citation patterns, funding levels, and faculty characteristics. The database is not meant to be a ranking system, say company representatives, but is designed to provide users with transparent, verifiable, and customizable data sets on institutions' scholarly performance. The Global Institu-

tional Profiles Project has begun a worldwide survey of opinion leaders at key research institutions—the results of that survey were slated for publication in the first quarter of 2010. For more information, visit science.thomsonreuters.com/globalprofilesproject.

■ STUDY OF ENERGY INDUSTRY

Douglas Woodward, an economist and research director at the University of South Carolina's Darla Moore School of Business in Columbia, has received \$150,000 from the U.S. Department of Energy's Office of Nuclear Energy, through a grant from the South Carolina Universities



Research and Education Foundation. With these funds, Woodward will work with Joseph Von Nessen, assistant professor of economics, to conduct a national survey to assess

according to a study funded by the Rotman International Centre for Pension Management at the University of Toronto in Canada.

A team of British and American researchers looked at data from British pension funds generated between March 1984 and March 2004.

In that time period, most funds switched from centralized management, which assigns a single person to manage a range of asset classes, to decentralized management, which assigns several people to each asset class, as well as multiple specialists within each asset class.

Having multiple managers can complicate fund oversight, the researchers say. But they found that decentralization overcame that disadvantage through superior stock selection. "Pension Fund Performance and Risk-Taking Under Decentralized Management" is available at www.rotman.utoronto.ca/icpm under the "Academic Papers" link.

RESEARCH RECOGNITIONS

■ Last fall, the Operational Research Society (ORS) awarded its 2008 Goodeve Medal to **David Ronen**, professor of logistics and operations management at the University of Missouri-St. Louis. Ronen received the award in recognition of his application of quantitative tools and information technology to solving practical business logistics problems.

■ An article by **Robert Whaley**, finance professor at Vanderbilt University's Owen Graduate School of Management in Nashville, Tennessee, has received the Best Article award as voted by subscribers of *The Journal of Portfolio Management*. In the article, "Understanding the VIX," Whaley explained the Chicago Board Option Exchange's volatility index in an attempt to calm the economic turbulence caused by references to

the VIX in financial news coverage. Whaley created the VIX, which provides a real-time measure of investor confidence, in 1993 while working as a consultant for the Exchange.

■ The Stanford Institute for Economic Policy Research (SIEPR) has instituted a new prize for individuals who make significant lifetime contributions to improving the design and conduct of economic policy. SIEPR has chosen former Federal Reserve Chairman **Paul A. Volcker** as the first recipient of the SIEPR Prize for Contributions to Economic Policy. Volcker was recognized for his decisions during the 1960s and 1970s that changed U.S. monetary policy and broke the inflationary spiral of that era. The SIEPR Prize, which includes an award of \$100,000, will be given out every other year. For more information, visit siepr.stanford.edu/siepr_prize_information.

the need for nuclear scientists and engineers over the next decade in the energy, environmental, medical, and defense sectors of the nuclear industry. Survey results will be released this spring.

■ ISLAMIC BANKING CENTERS

Two universities are creating centers dedicated to Islamic banking. American University of Sharjah in the United Arab Emirates will be home to a center for Islamic banking and finance. Created with the help of an endowment of AED 30 million (US \$8.1 million) provided by the Sharjah Islamic Bank, the center will support instruction,

research, and outreach activities in the field, regionally and internationally. The Aston Business School in Birmingham in the U.K. also is developing an Islamic financial center, with the help of a £1.5 million (US \$2.3 million) grant from Dubai-based Surgi-Tech. The largest financial gift to the university, it will be used to develop qualifications, advance research, and design educational programs in the field.

■ SOCIAL ENTREPRENEURSHIP IN THE GEM

This year, the Global Entrepreneurship Monitor (GEM), an annual international report on new global business development, includes its

first study of social entrepreneurship conducted by Siri Terjesen of Indiana University, Rachida Justo of the Instituto de Empresa in Spain, and Jan Lepoutre of Ghent University in Belgium. In 2009, 49 national teams collected data on community, for-profit, or non-profit work with a social purpose. The three authors found that the average rate of social entrepreneurship increases slightly with economic development. "The opportunity cost of social entrepreneurship may be higher in developing countries," says Terjesen. The complete report is available at www.gemconsortium.org. 