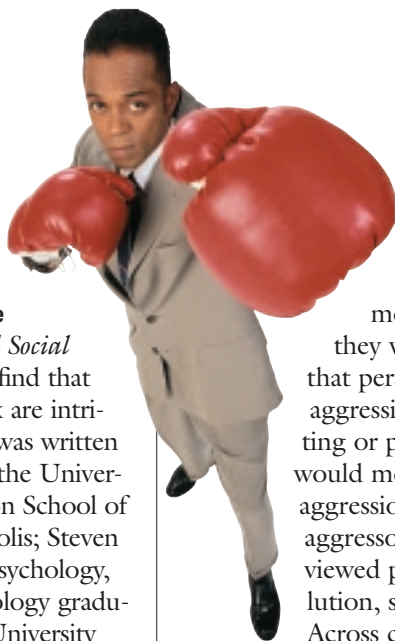


# Research



## ■ Status-Seekers Are Itching For a Fight

In an article forthcoming in the *Journal of Personality and Social Psychology*, six researchers find that aggression, status, and sex are intricately related. The paper was written by Vidas Griskevicius of the University of Minnesota's Carlson School of Management in Minneapolis; Steven Gangestad, professor of psychology, and Joshua Tybur, psychology graduate student, both of the University of New Mexico in Albuquerque; Douglas Kenrick, psychology professor, and Elaine Perea, psychology graduate student, both of Arizona State University in Phoenix; and Jenessa Shapiro, an assistant professor of social psychology at the Anderson School of Management at the University of California in Los Angeles.

In one experiment, researchers asked students about times they have displayed aggression and the reasons why. They found that 48 percent of men and 46 percent of women noted that concern over status or reputation was the reason for their aggression. Men were more likely than women to react with aggression in response to a trivial insult—and they were more likely to respond to that insult aggressively in the presence of other men.

In another experiment, researchers asked 178 participants to read a story about competition (the quest to get a high-powered job), courtship (a romantic first date), or a neutral event (the loss of a personal item). Participants were asked to imagine themselves in the story's scenario. Then, they were asked how they would react to someone who spilled a drink on them at a party.

Men who had read the competition story were more likely to say they would react to that person with direct aggression, such as hitting or pushing. Why would men choose direct aggression, even though aggressors are rarely viewed positively? Evolution, say the authors.

Across cultures, aggression often leads to higher status; men often equate high status with the ability to attract more partners of higher quality. "For men," says Griskevicius, "fighting for status is akin to fighting for the survival of their genes. Not caring about status, which can be implied by backing away from a fight, can be evolutionary suicide."

The study may shed some light on how men and women react to a variety of competitive environments, including those in business. Griskevicius emphasizes that these experiments do not suggest that people are attracted to aggression—only that they're concerned about their status in a group.

The paper, "Aggress to Impress: Hostility as an Evolved Context-Dependent Strategy," can be found at [www.carlsonschool.umn.edu/marketinginstitute/vgriskevicius](http://www.carlsonschool.umn.edu/marketinginstitute/vgriskevicius).

## ■ Roadblocks for VCs in Latin America

Venture capitalists who want to conduct business in Latin America may face a number of obstacles because of the region's lack of governmental and cultural support for their activity, according to a study by Garry Bruton, a management professor

## RESEARCH RECOGNITIONS

■ **Hayne Leland** has won the first Stephen A. Ross Prize from the Foundation for the Advancement of Research in Financial Economics (FARFE) for his research in corporate debt pricing and capital structure. Leland is a finance professor at the Haas School of Business at the University of California in Berkeley. The foundation, an international consortium of finance academics and practitioners, created the \$100,000 prize last year to recognize and encourage research in financial economics. Leland won the award for his 1994 *Journal of Finance* paper, "Corporate Debt Value, Bond Covenants, and Optimal Capital Structure."

■ Two inaugural fellows have been appointed to the AIC Institute for Corporate Citizenship at the University of Toronto's Rotman School of Management in Canada. **Anita McGahan**, Rotman Chair in Management and professor of strategic management, will receive ongoing support for her research into the inception of new industries and their implications for health delivery, pharmaceuticals, medical devices, and energy. **Yue Li**, associate professor of accounting, will receive support for his research in areas such as environmental accounting, voluntary disclosure and capital markets, and IPO valuation.



Garry Bruton

at Texas Christian University's Neeley School of Business in Fort Worth; David Ahlstrom, management professor at the Chinese University of Hong Kong; and Tomas Puky, a commercial manager with Andritz Hydro in North Carolina and a TCU graduate.



Tomas Puky

The researchers interviewed a member of top management from 13 venture capital firms in

Latin America and 13 in Asia. They also interviewed four venture capital experts from each region. They found that while most Asian countries welcome VCs, those in Latin America often do not.

In Latin America, wealth is concentrated among a few large families, who wield great influence with their governments, says Bruton. That situation leaves entrepreneurs and VCs with little regulatory, legal, or cultural support. In fact, if a business becomes too successful for some families' comfort, governments may even interfere with that success. The result is that Latin America is now beginning to abandon market economies for a more socialist economy.

Only through entrepreneurial activity can Latin American countries create jobs and keep their economies going, say these researchers. VCs willing to venture into Latin America will face more delays and barriers than they face in more developed economies. They also will have to work within the

## STUDY BRIEFS

### ■ How to Stop Foreclosures

Three professors at the Columbia Business School and Columbia Law School in New York City have written a proposal to modify laws to stem the tide of home foreclosures. Christopher Mayer and Tomasz Piskorski of the business school and Edward Morrison of the law school focus on privately securitized mortgages, which account for 50 percent of foreclosure starts in the U.S. The professors encourage government to increase compensation to loan servicers who avoid foreclosures through mortgage modification and to remove legal constraints that inhibit modification. The authors estimate that such action would prevent nearly one million fore-

closures over three years. Although the plan could cost up to \$10.7 billion, the authors note



that it would be less costly than alternatives.

### ■ 'No' to More Board Diversity

Fifty-five percent of directors at publicly traded companies in the U.S. say they would not like to increase minority representation on their boards, according to a survey from consulting firm Heidrick & Struggles International and the Center for Effective Organizations at the University of Southern California's Marshall School of Business in Los Angeles. Of those that would like to increase board diversity, 30 percent

are especially seeking out women; 21 percent, African Americans; 17 percent, Hispanics/Latinos; and 9 percent, Asian Americans. In the same survey, 31 percent of respondents say they think CEO compensation is too high, up from 25 percent in 1998.



### ■ Collaboration Works

Research collaborations that extend beyond a single university make it more likely for that research to have high impact, say Benjamin Jones, management professor, and Brian Uzzi, professor of leadership, both at Northwestern University's Kellogg School of Management in Evanston, Illinois; and Stefan Wuchty, a scientist at the U.S. National Institutes of Health. The researchers define "high impact" in terms of how often papers in scientific fields were cited from 1995 to 2005. Papers in science and engineering created through multi-school collaborations had a 35.6 percent chance of having high impact—2.9 percent higher than papers created through single-school collaborations. Their paper, "Multi-University Research Teams: Shifting Impact, Geography, and Stratification in Science," was published in the November 21, 2008, issue of *Science*.

system to build the institutional support that will lead to a more favorable regulation environment.

However, says Bruton, that effort “may not be sufficient to bring about the depth and breadth of change necessary to foster high-value entrepreneurial success.”

The study is forthcoming in the *Journal of International Business Studies*.

## Corporate Loans: The Next Subprimes?

**Two professors suggest that bad loans** may not be restricted to the housing market. Bad corporate loans could be the source of the next financial

meltdown, say Antje Berndt, assistant professor of finance at Carnegie Mellon University’s Tepper School of Business in Pittsburgh, Pennsylvania, and Anurag Gupta, a visiting professor of finance from Case Western Reserve University’s Weatherhead School of Management in Cleveland, Ohio, now at New York University’s Stern School of Business in New York City.

Berndt and Gupta evaluated 1,054 loan-seeking corporations. They found that loans sold by banks in the secondary loan market underperform other corporate bank borrowers by between 8 percent and 14 percent per year, on a risk-adjusted basis, in the three years after the loan sale.

The researchers also discovered that firms in this sample collectively suffered a total corporate value destruction of \$237 billion, or about 15 percent of their total assets. “Banks could be cherry picking. They keep the good loans for themselves, while selling off bad loans based on insider information,” Gupta suggests.

This activity, he adds, is “quite similar to the chain of events characterizing the subprime mortgage



Anurag Gupta



Antje Berndt

## Pessimism Makes It So

Many factors go into creating a financial collapse, but researchers suggest that a widespread belief in a bleak economic future can itself make that future a reality. The working draft, “Coordination in the Presence of Asset Markets,” is based on a study by Anthony Kwasnica, associate professor of business economics at Penn State University’s Smeal College of Business in University Park; Shimon Kogan, assistant professor of finance at the University of Texas at Austin’s McCombs School of Business; and Roberto Weber, assistant professor in the department of economics and social and decision sciences at Carnegie Mellon University in Pittsburgh, Pennsylvania.

The professors argue that rapidly spreading beliefs about the value of mortgage-backed securities may have contributed more to the economic meltdown than the actual properties of those securities.



Anthony Kwasnica



Shimon Kogan



Roberto Weber

To show this, they conducted a coordination game, in which individuals have a set of assets that they can invest in a pool. The payout depends on the lowest contribution made. If all players contribute all of their assets, payout is maximized; if even one contributes less, all other players lose some of their investment.

Past research has shown that, in the simple economies in a coordination game involving three or four players, all players typically maximize their return. However, Kwas-

nica, Kogan, and Weber ran an experiment where, before the game began, they asked players to bet whether the game would end successfully

or unsuccessfully. They also made players aware of those predictions. If players predicted the game would end unsuccessfully, it did end badly most of the time.

“We’re seeing that markets are not only predicting a negative economy, but are actually causing the economy to perform badly,” says Kwasnica. Their experiment shows, he adds, that when participants simply knew what people *thought* might happen, they unknowingly worked to realize the very outcome they had hoped to avoid.

sector.” Bad corporate loans could send new shockwaves through financial markets already shaken by recession, the authors argue.

Their working paper, “Moral Hazard and Adverse Selection in the Originate-to-Distribute Model of Bank Credit,” is available on the Social Science Research Network.



## What Inspires Good Performance?

When it comes to motivating employees to work longer and more productively, employers often turn to bigger paychecks. But that may not be the right approach, according to a study conducted by Dan Ariely, professor of behavioral economics at Duke University’s Fuqua School of Business in Durham, North Carolina; Uri Gneezy, professor of economics and strategy at the University of California San Diego’s Rady School of Management; George Loewenstein, a professor of economics and psychol-

## UPCOMING & ONGOING

### ■ IMPROVING DISASTER MANAGEMENT

Sanjay Jain, assistant professor of decision sciences at the George Washington School of Business in Washington, D.C., has received a \$256,937 grant from the National Institute of Standards and Technology. Jain will use the grant to study how modeling and simulation (M&S) applications can improve disaster management practices. He hopes to create advanced modeling simulations to improve disaster evaluation, rescue coordination, and local government response. In addition, because M&S applications currently available are largely customized, Jain plans to develop standard, integrated applications so that diverse agencies can better work together in a disaster situation.

### ■ CENTER FOR LAW AND ECONOMICS

In October, France’s ESSEC Business School in Paris inaugurated the European Center for Law and Economics (CEDE), devoted to research on intersections between legal systems and business performance. The new center is directed

by Viviane de Beaufort, professor of European law; Jean Monet, chair and academic director of the ESSEC law department; and Frédéric Jenny, professor of economics. CEDE’s research will appear in a special collection, *Recherches et Travaux en Droit et Economie*, to be published by Economica.

### ■ THE TRANSITION TO SUSTAINABILITY

Professors at the University of Ottawa’s Telfer School of Management in Canada have launched a new project, “Making it happen: the transition to a sustainable society.” Funded by the Gordon Foundation and the federal government, the project will map out different barriers to innovation and sustainability and identify ambitious goals for society to achieve in the next 50 to 100 years. Then, it will set up panels and focus groups to identify the institutional barriers to achieving those goals. Expected to take two years to complete, the project will be managed under the direction of André Potworowski with the help of an advisory board chaired by Tom Brzutstowski.

ogy in the department of social and decision sciences at Carnegie Mellon University in Pittsburgh, Pennsylvania; and Nina Mazar, a marketing professor at the University of Toronto’s Rotman School of Management in Canada.

In an experiment, the researchers gave participants various games to play, anagrams to solve, sums to add, and keys to press. They offered incentives for good performance, ranging from low to high.

They found that financial incen-

tives did indeed improve the performance of participants in both groups on tasks requiring creative thinking, problem solving, or memory skills.

However, once those incentives passed a certain threshold, participants’ performance suffered. The takeaway: Once payments go too high, people often “choke” under the increased pressure.

The study, “Large Stakes and Big Mistakes,” is available at [www.rotman.utoronto.ca/newthinking/largestakes.pdf](http://www.rotman.utoronto.ca/newthinking/largestakes.pdf). ■