

# focus

## Sponsored Research

Thought leadership requires actionable research. Baylor University's Hankamer School of Business is recognized for producing research that has impacts on business practice and public policy. As evidenced by the willingness of federal agencies and others to sponsor research by our faculty, sponsored research signifies impactful scholarship. Whether it is research applying business practice to public initiatives or new technology for supply chain management, our partnerships with government and industry are leading to influential scholarship, some of which is the subject of this issue of Focus.

## Social Entrepreneurship in Action

Marlene Reed, professor of Entrepreneurship, is looking to bring hope through social entrepreneurship efforts to a country with impoverished people and underutilized resources.

Reed received a grant from the Organization of American States to continue her work with social entrepreneurship and sustainability efforts in helping alleviate poverty and economic problems in the Dominican Republic (DR). Her grant request, "Mata de Palma, Dominican Republic: Utilizing Innovative Technology to Improve Living Conditions of Surrounding Communities," outlines initial steps that support an ultimate goal of establishing bio-sustainable communities in the DR.

Reed is working on the project with Baylor colleagues Kendall Artz, department chair of Management and Entrepreneurship; Les Palich, associate director of Entrepreneurial Studies; and David Allen, director of the John F. Baugh Center for Entrepreneurship.

The catalyst for the project is Omar Bros, Dominican entrepreneur and CEO of Consorcio Tecno DEAH (CTD), a for-profit company with a vision to encourage sustainable development within the DR. Bros also serves on the board of the Dominican Foundation, a nonprofit dedicated to improving living conditions of people in the sugar cane and sweet sorghum agricultural areas of the DR. An organization of local farmers known as COOP Cana is also involved with the project, as the farmers' land will produce crops used for bio-fuels.

Reed and the team began work with Bros in the fall of 2007. A student team led by Reed and featured in the article "BEST Student Projects in Energy" from the spring 2008 issue of the *Baylor Business Review*, first researched operational possibilities and developed a business plan for a mobile sugar mill, which was developed by Bros. The team's business plan focused on the mobile mill benefitting two local communities of Mata de Palma and Guayubin.

"We were first approached by Omar to devise a business plan for the mobile mill," Reed said. "He then asked if we were interested in following through with implementation of the plan; we immediately agreed."

Although the DR's economy depends heavily on growth and harvesting of sugar cane and sorghum, Reed said the land has been underutilized.

"At the present time, 50 percent of the land historically used for growing sugar cane is not being cultivated," she said.

"The primary reasons for this inactivity are the high cost of transporting sugar cane and sorghum to the stationary mills and the low level of demand for bio-fuels in the past."

Reed and the team are treating the uncultivated land as an opportunity to implement the technology of the mobile mill. The mobile mill will process the sugar cane harvest in Mata de Palma, then six months later, be relocated to process the sweet sorghum harvest

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Marlene Reed



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in Guayubin. According to the students' research, the mill has the potential to harvest 15 tons of sugar cane or sweet sorghum per hour, processing up to 360 tons of cane per day. The processed crops provide year-round production of molasses, which is then sold to distilleries to produce bio-fuels such as ethanol.

This production will help provide a stable income for sugar cane and sorghum workers, whose living conditions are indicative of the poor quality of life. These workers, who are primarily Haitian immigrants, and their families live in "bateyes," which are inadequate and unsanitary tin lean-tos.

"These people have very few resources," Reed said. "Omar asked our team to help develop a strategy for dispersing 30 percent of the profits from the mobile mill to improve the level of living for the people who work for his mill."

By allocating profits to improve living conditions, the team hopes to see an increased level of health care, education, running water and electricity in the communities. Bros also proposed placing 70 percent of the profits in a fund to duplicate the mobile mill project in other regions of the DR, and ultimately other countries.

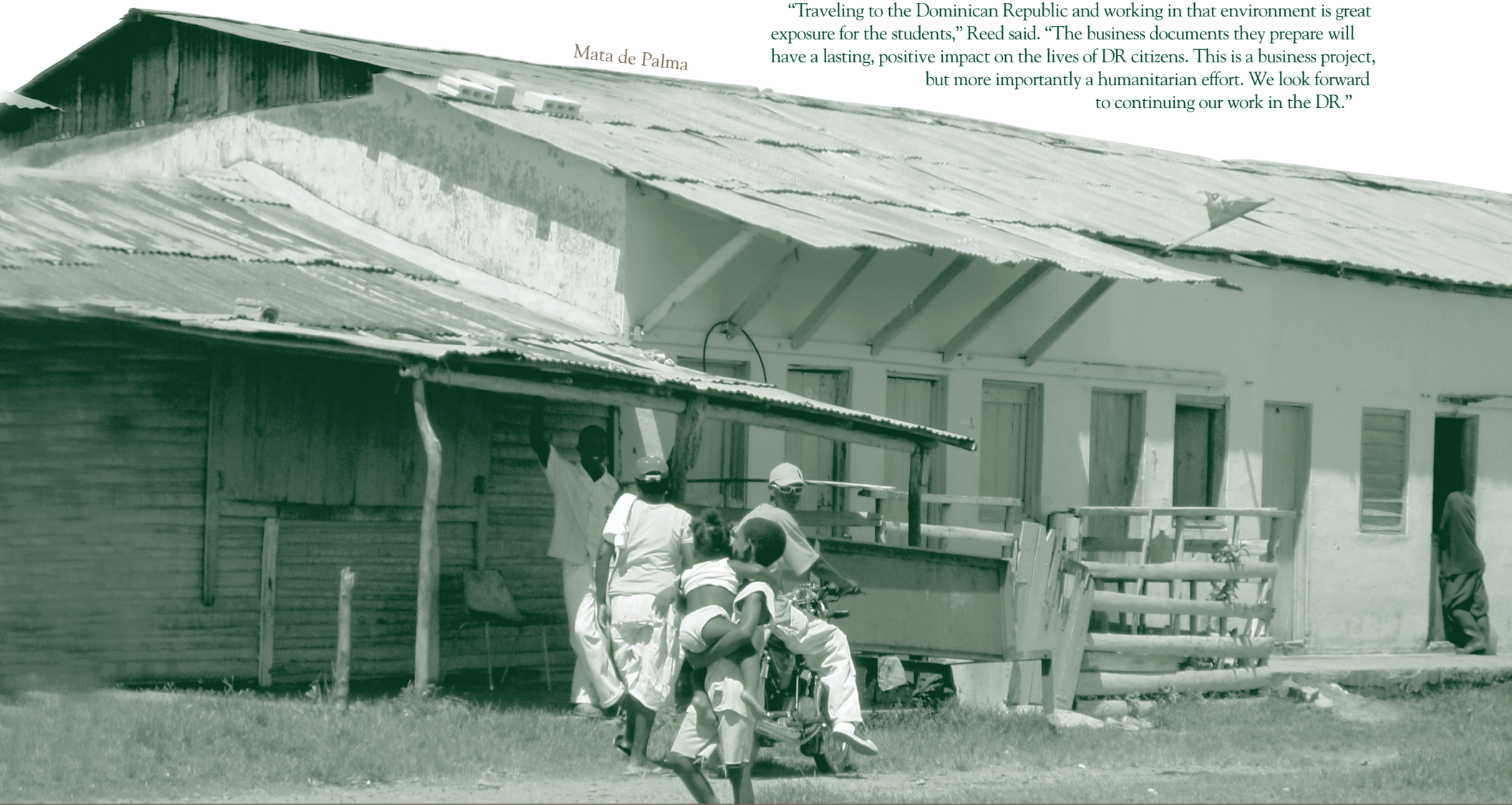
"The main focus right now is establishing a baseline for the standard of living in the mill areas," Reed said. "From that, we will have quantifiable measures of progress for the quality of life in Mata de Palma and Guayubin."

Lydia Rogers, BBA '09, was involved with the Mata de Palma project as a student team member and has seen it continue to progress.

"What is so special about Baylor's involvement with Mata de Palma is how each year students add upon the work of previous students," Rogers said. "This continuity brings a sense that our work is truly contributing to the success of this project. I am excited to see how this next group of Baylor students takes our work to the next level."

Baylor's work in the DR has not gone unnoticed. Reed said the U.S. State Department contacted her when it heard of the project and notified the American Embassy in Santo Domingo, DR. The team met with the Embassy this fall, and Reed then traveled to Washington, D.C., to inform the State Department of the team's work in the DR. Reed and the team are also working on a documentary, which will monitor the progress of the mill project and its social impacts.

"Traveling to the Dominican Republic and working in that environment is great exposure for the students," Reed said. "The business documents they prepare will have a lasting, positive impact on the lives of DR citizens. This is a business project, but more importantly a humanitarian effort. We look forward to continuing our work in the DR."



## Analyzing Absorptive Capacity

Information technology (IT) is a continuously evolving field when it comes to the emergence and integration of new knowledge. IT departments within public organizations must adapt to these changes, while also facing challenges such as budgetary constraints, stakeholder demands and political influences.

These dynamics have led Cynthia K. Riemenschneider, associate professor of Information Systems, to analyze how CIOs and IT managers are responding to external challenges and new knowledge through researching the potential absorptive capacity of state government IT departments. Riemenschneider received a grant from the Blair Center of Southern Politics and Society in the Fulbright College of Arts and Sciences at the University of Arkansas to fund her research.

"Absorptive capacity refers to an organization's ability to recognize the value of new information, assimilate it, and use it to address organizational challenges associated with external change," she said. "This new information can be anything from processes to applications of technology to enterprise systems."

Riemenschneider and team members Myria Allen and Margaret Reid, University of Arkansas; and Deborah Armstrong, Florida State University; discuss their research and findings in a paper titled "Potential Absorptive Capacity of State IT Departments: A Comparison of Perceptions of CIOs and IT Managers," forthcoming in the *Journal of Organizational Computing and Electronic Commerce*.

Within the evolving IT industry, the role of IT departments has evolved as well to take more of a proactive role within organizations, as opposed to its outdated reactive function of solving technical malfunctions.

"IT departments, once seen largely in a technical support role, have assumed critical strategic planning functions for their respective levels of government," she said. "Public sector managers must consider a broad range of proactive changes that can improve organizational functioning."

Riemenschneider said her team worked two years in building a relationship with and gaining support from the National Association of State Chief Information Officers (NASCIO), an organization dedicated to supporting state CIOs and providing information on IT best practices and innovations. This backing allowed the research to launch on a national level. The team conducted a national survey to which 21 states employing a total of 27 CIOs and 102 IT managers responded.

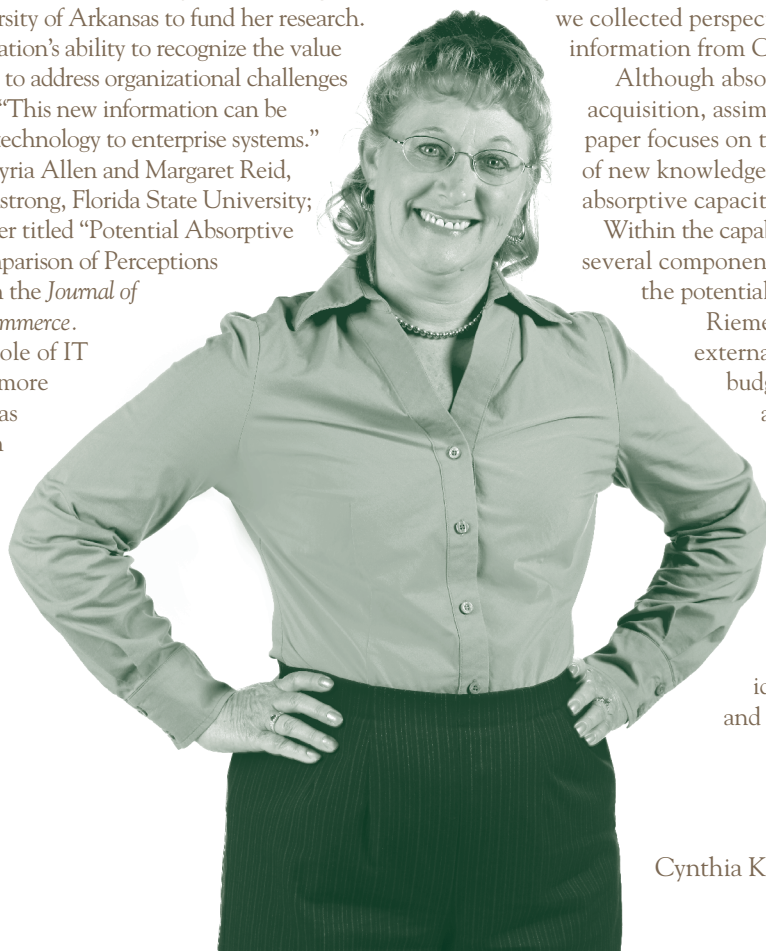
"Few researchers have focused on absorptive capacity in public sector organizations," she said. "Furthermore, this research was interesting because we collected perspectives at different levels of an organization with information from CIOs and IT managers from different states."

Although absorptive capacity consists of four capabilities—acquisition, assimilation, transformation and exploitation—the team's paper focuses on the first two capabilities. Acquisition and assimilation of new knowledge compose what is known as an organization's *potential* absorptive capacity.

Within the capabilities of acquisition and assimilation, the team analyzes several component variables and how, or if, each variable influences the potential absorptive capacity of the state IT departments.

Riemenschneider and her colleagues look at variables of external environments (e.g., economy, industry dynamics, budgetary constraints, stakeholders) and factors of risk and proactiveness in "strategic posture," a firm's overall competitive orientation. An organization's culture also determines whether change related to new knowledge is accepted or resisted. And finally, the team analyzes if these variables have the same influence on CIOs and IT managers.

Using the findings and continuing their research, Riemenschneider and her team hope to aid state IT management in maximizing awareness of, identifying, and effectively integrating new knowledge and innovative technologies to improve operations.



Cynthia K. Riemenschneider



# The Economics of Religion

While religion, politics and money may be taboo topics at a dinner party, they are inexorably linked, according to a research team that included Baylor faculty members. The team studied the relationship between religion and economic prosperity, and the impact of government involvement on religious attendance worldwide.

The team, which included Baylor associate professor of Economics Charles North; Byron Johnson, professor of Sociology and co-director of the Baylor Institute for the Studies of Religion (ISR); and Rodney Stark, Baylor professor of the Social Sciences and co-director of ISR; studied historical data and collected new information through a grant given by the John Templeton Foundation.

The first part of their study explored the level of rule of law and corruption in 207 countries based on what each country's largest religion was in both 1900 and 2000. They concluded that current rule of law is higher in countries that were Protestant, Catholic, and Hindu in 1900 compared to those whose largest religion in 1900 was African tribal religion, Islam, or Orthodox Christianity. They found similar results on corruption being lower in countries that were Protestant in 1900, but not for Catholic or Hindu countries. When they looked at the largest religion in 2000, they found that countries that are currently Asian folk religion have higher current rule of law and lower corruption than all other countries, with the rest all looking the same.

"In both instances, we are looking at the current level of rule of law or corruption; we distinguish among the 207 countries based on what their largest religion was in 1900 or in 2000. What changes between those two years is that many countries (mostly in Africa and the Pacific Islands) switched from an ethnic religion to Protestantism, Catholicism, or Islam," North said. "So what that tells us is that 'missionizing' and converting everyone to Christianity cannot improve the quality of rule of law or the degree of corruption, at least not in a span of decades."

The second part of the study collected new data exploring the link between religion and financial indicators.

"One of the biggest things this grant allowed us to do was conduct a new survey," North said. "We're still working out the conclusions, but we now have one of the few data sets out there that looks at religion and finance."

One observation made by researchers is that people who attended church regularly as children received about a half-year more education than their counterparts who did not frequently attend religious services.

There could be any number of reasons for this finding, according to North, who says researchers are still working on what the data means.

"It could be the 'good kid effect,' in that going to church means you learn to sit still and pay attention. Sitting still and paying attention means you'll do better in school," North said. "Or, it could be that educated people are more likely to go to church, so their children go to church. And educated parents are more likely to have educated children. There are so many factors to consider."

The survey also asked people about homeownership, an often-used economic indicator.

"We wanted to see if religious people save money differently than non-religious people," North said.

So far, the team has found no significant differences across the United States, but North said that does not mean others won't analyze the data and come up with their own findings.

"Right now there is a researcher at the International Monetary Fund who's using our data and other data to explore the variability of home prices by looking at how an Evangelical presence impacts the housing market," North said. "So, while there is analysis being done here, the bigger picture is that our new data set is also being used by researchers elsewhere."

Another part of the Baylor study examined how government involvement affects religiousness, and the outcome was surprising to some.

"We have solid evidence that the more the state is involved in religion, the less religious people are," North said.

Researchers examined issues of church and state in international samples, and discovered that in those countries that have state religions, there is significantly less attendance at religious services. This finding is true of attendees of the state religion as well as other religions. They also found that the more the freedom of religion was protected in a country, the greater religious attendance there was.

"The countries that are the most religious are the ones with very little regulation and no state religion," North said. "We also found that the longer a country had maintained a constitutional protection of freedom of religion, the more religious the people are."

While the United States government does subsidize religious organization through tax breaks, North believes that because it is done in much the same way that other charitable organizations are subsidized, this is not perceived as government interference.

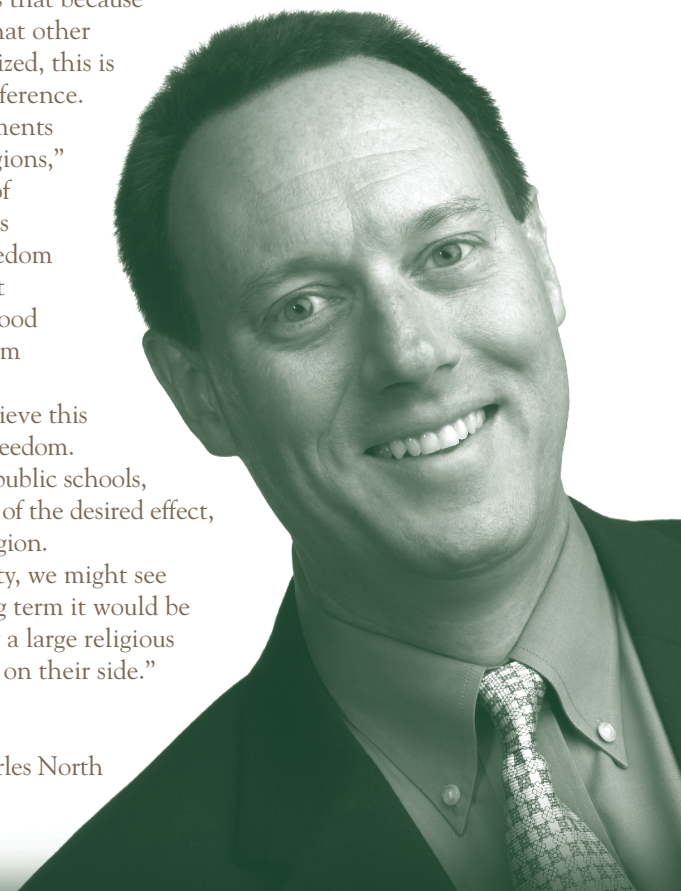
"The lesson here is that governments should not play favorites with religions," North said.

He used the example of Germany, where approved religious organizations have much more freedom to function than those that are not government-approved. "There is good evidence that this kind of favoritism creates less religiosity."

North and his colleagues also believe this is good reason to defend religious freedom. Reciting prayers of one religion in public schools, for example, can have the opposite of the desired effect, driving more people away from religion.

"If we had a homogeneous society, we might see short-term benefits, but in the long term it would be a disaster," he said. "The last thing a large religious body wants is to have government on their side."

Charles North



## Selected Research Work

This listing highlights grant-funded research conducted by faculty of Baylor's Hankamer School of Business.

### Chris Blocker

Assistant Professor, Marketing

Blocker's study, "Capturing the Hearts and Minds of Consumers: Emotional Symmetry and Connection in Buyer-Seller Relationships," is funded by Baylor University's Keller Center for Research. The study examines the role of emotional intelligence (EI) within real estate agent and client interactions. It explores how varying levels of agent and consumer EI facilitate "emotional connections." The current stage of the research is data collection with plans to submit the results to a top tier journal in consumer behavior.

### Gia Chevis

Assistant Professor, Accounting & Business Law

Chevis received a grant from the ConocoPhillips Faculty Sponsorship Program to enhance university programs in accounting. Chevis used the grant to fund a trip to London to research the International Financial Reporting Standards (IFRS) in preparation for her international /comparative accounting class. The grant also funded her summer research release.

### Brennan Davis

Associate Professor, Marketing

Davis' study, co-authored by Christopher Carpenter of the University of California-Irvine, "Proximity of Fast-food Restaurants to Schools and Adolescent Obesity" was funded by the Robert Wood Johnson Foundation. The study found that having fast-food restaurants near schools does impact children's eating habits. The research was published in the March 2009 issue of the *American Journal of Public Health*. It was also voted the "Most Influential Research" by readers and subscribers of the Robert Wood Johnson Foundation Web site.

### Chris Meyer

Assistant Professor, Management

Meyer and Lt. Col. Alexander Barelka of the Air Force Institute of Technology began a collaborative project in the fall 2009 semester to examine suspicion in co-located, partially distributed, and virtual teams. The goal of the project, funded by the United States Air Force and the Air Force Institute of Technology for the next three years, is to better understand the antecedents and consequences of suspicion as well as the impact of suspicion on team tasks and outcomes.

### Ann Mirabito

Assistant Professor, Marketing

Mirabito completed research on the impact of the use of a service provider's photograph or strong sales messages in advertisements. The study "Is Your Picture Worth 1,000 Words?" was published in the August 2009 Keller Center Research Report. It suggests that the presence of pictures improves buyers' perceptions of an unknown service provider's quality. The research was funded by Baylor University's Keller Center for Research.

### Pedro Reyes

Associate Professor, Management

Reyes received a two-year award from the Construction Industry Institute (CII) at the University of Texas at Austin to study the best practices for global procurement and materials management in the construction industry. Reyes updated CII's materials management handbook for implementation of a modern materials management program.

### James Roberts

Professor, Marketing

Roberts' study, co-authored by Fernando Jaramillo, Douglas B. Grisaffe and Lawrence B. Chonko, "Examining the Impact of Servant Leadership on Salesperson's Turnover Intention," appeared in the fall 2009 issue of the *Journal of Personal Selling and Sales Management*, Vol. 29, No. 4. The Baylor University Research Committee awarded the Faculty Research Investment Program grant to fund the study.

### Jeff Tanner

Associate Dean, Research & Faculty Development

Professor, Marketing

Tanner's study, co-authored by Mary Anne Raymond and Stacey D. Ladd, "Evaluating a Community Saturation Model of Abstinence Education: An Application of Social Marketing Strategies" appeared in *Health Marketing Quarterly* in 2009. The study, sponsored by Family & Youth Services Bureau with the Federal Department of Health & Human Services, documents a 50 percent improvement in reducing teen pregnancy by introducing an abstinence education program. The Saturation Model involves reaching all of the community, not just teens, in order to create a supportive culture for abstinence.

Tanner's study, co-authored by Les A. Carlson, Chris Hopkins and Mary Anne Raymond, "Reaching Parents to Prevent Adolescent Risky Behavior: Examining the Effects of Threat Portrayal and Parenting Orientation on Parental Participation Perceptions" was published in the *Journal of Public Policy and Marketing* in 2008. This study, funded by the Office of Population Affairs and the Department of Health & Human Services, involved studying the use of fear appeals to encourage more active parenting. It illustrated how parental style dominates how parents respond to threats to their children, such as the threat of sexually transmitted disease.



# Passing the Torch: Family Business Succession Planning

When the two brothers who ran the successful Dassler shoe company in Herzogenaurach, Germany, in the 1930s ended their business relationship with a rancorous feud, it not only divided a family, it divided the city. When the company split, Adolf Dassler took his business to one side of the Aurach River and created Adidas. His brother Rudolph stayed and created Puma. The citizens of Herzogenaurach became just as radically divided, wearing either Adidas or Pumas to show their fierce loyalty. Businesses loyal to one company refused to serve workers from the other, gangs developed in local schools, and, to this day, people look down to see what shoe someone is wearing before beginning a conversation. The Dassler brothers carried their feud to the grave and are buried on completely opposite sides of the local cemetery.

“When a business is a *family* business, there’s much more at stake,” said Bill Worthington, assistant professor of Management and Entrepreneurship at Baylor University.

Helping family businesses create and maintain healthy successful companies – and family relationships – is the goal of Baylor’s Institute for Family Business, which was founded in 1987. Worthington and his colleagues are striving to find new ways to support family businesses and those who work with them.

To that end, Worthington and John Schoen, adjunct faculty in Management and Entrepreneurship, began studying the ways family businesses plan transitions in leadership positions. They set out to discover how family businesses work toward developing successors and how, when and why leaders chose to leave their positions.

The project began by Schoen looking at select financial planners from across the nation, who were advisors to family businesses, asking them about how and when their clients planned to step down from their leadership roles in their family business. The top four considerations for those company leaders were being able to maintain their lifestyle, the ability to fund long-term care needs, their relationship with their spouse, and their relationships with their children.

The next step for the researchers was to collect similar data from Texas family business CEOs. Of the 310 respondents, the top four considerations were the maintenance of their lifestyle, funding their long-term care needs, a sense of “mission completion,” and the ability to accept their new identities.

The final group surveyed was 269 farm or ranch CEOs of the top-producing agricultural family businesses in the nation. For the farmer-ranchers, their main consideration was a sense of completing their mission, followed by lifestyle maintenance, long-term care needs and the acceptance of their new identities.

After studying the data collected, the researchers broke down the retirement decision-making factors from most to least important:

- Health (both physiological and mental)
- Wealth management (financial well-being of the retiree)
- Psychological well-being/Family relationships
- Wealth transfer
- Continuity and viability of the enterprise
- Ownership transfer
- Leadership succession

“It was surprising to us that leadership succession was the very last thing considered, and that ownership transfer [when control actually changes] is so far down on the list,” Schoen said. “From an academic standpoint, and from a practitioner’s standpoint, these are two extremely important things.”

Worthington believes that they are often considered last because they are difficult for families to discuss.

“In my own family’s business, to this day, we talk about talking about it, and that’s as far as it gets,” he said.

Their findings led Worthington and Jamie Collins, assistant professor of Management and Entrepreneurship, to team up with Schoen, through a grant from Baylor’s McBride Center for International Business, to collect data from family businesses in India. Their research focused on those two last-considered factors in the U.S. survey findings: leadership succession and ownership transfer.

“After the initial surveys, which centered mostly around Texas CEOs, we wanted some insight into what is happening around the world,” Collins said. “We wanted to not only find out if there are commonalities, but also discover ways that we – as practitioners and academics – can better serve family businesses.”

For their research, the team collected data from 265 Indian family businesses, with an average age of 25 years. The oldest firm had been in business for 200 years. The businesses surveyed employed between 14 and 540 people.

“Family businesses are so prevalent in India,” Collins said. “We estimate that as many of 75 to 80 percent of all businesses in the U.S. are family businesses, but there may be even higher percentages in developing countries.”

When the CEOs of the Indian businesses were asked when they plan to retire or turn over leadership of their companies, an astounding 52.2 percent said they planned to work in their current position until they died.

“In the U.S., the number of leaders who plan to work until they die is around 16 percent,” Schoen said. “And I thought that was very high.”

In addition to their findings that Indian CEOs intend to maintain ownership control of their firms until their deaths, the researchers also found that CEOs prefer that one of their sons (preferably one who has worked extensively in the family business) to become the new leader. For those who intend to retire or scale back on their involvement, most desired to move away from day-to-day concerns of the company, but wanted to maintain social and family relationships. And, as in the U.S., Indian family business leaders are not focusing on issues of continuity planning, ownership transfer or leadership succession.

“What this tells us, as academics and consultants, is that there is room for improvement,” Collins said. “When we think about who is doing financial and estate planning, we think of attorneys and accountants. These people don’t traditionally look to the behavioral issues of leadership succession. It is complicated for family businesses.”

Owners want to maintain family harmony, and at the same time, have a successful transfer of power. This means, according to the Baylor researchers, that more time needs to be put into personal and career development and other “soft” issues that are sometimes overlooked.

“We hope that by providing behavioral insight to these estate planners and financial planners, we can help them develop better solutions,” Collins said. “Instead of looking just at financial transfers, they need to look at the behavioral issues too. Better solutions come from having a foot on both sides.”

The Baylor trio hopes to extend the current survey geographically and is looking for funding to do so. They hope to expand into Latin and South America, Russia and China.

“We know what it looks like if issues of leadership succession and ownership transfer are not dealt with. We get Adidas and Puma all over again,” Schoen said. “Our business is to help create more happy stories.”

Jamie Collins,  
John Schoen  
and Bill Worthington



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