CURRENT FACULTY RESEARCH
SPRING 2012

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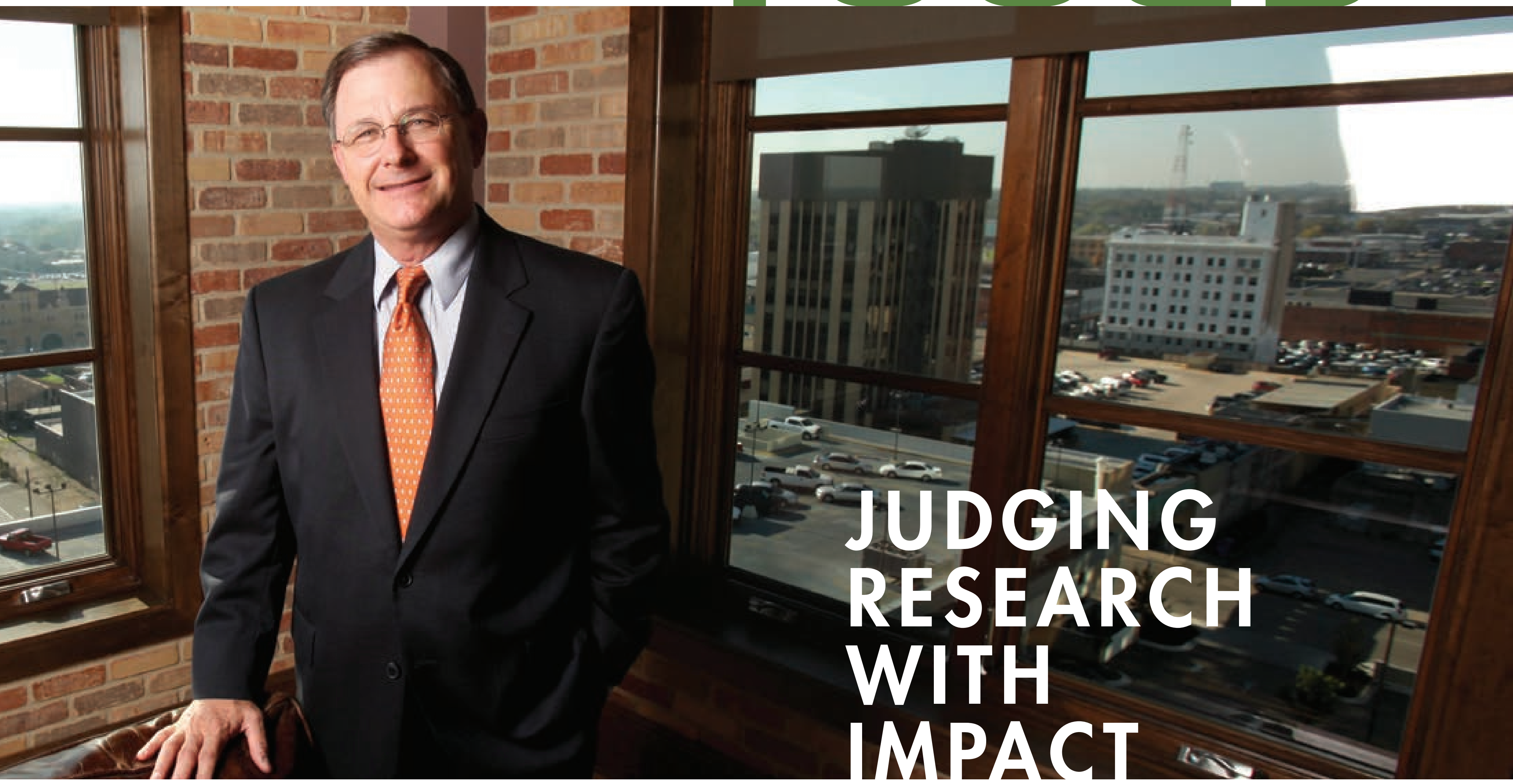
focus



JUDGING RESEARCH WITH IMPACT

Successful research often starts with a belief that you will discover something that will make a difference. With business schools spending millions of dollars a year to support faculty research, our findings should matter, and at Baylor University's Hankamer School of Business, we have conducted studies that matter for decades.

As professors dedicate years to research, a crowning accomplishment is for their findings to reach others through publication. This issue of Focus features our faculty research that has been included in top publications such as the *Journal of Organizational Behavior*, the *Atlantic Economic Journal*, the *Journal of Accounting, Ethics & Public Policy* and the *Journal of Research for Consumers*.

The publication of academic research is a conduit for showcasing potential impact of research, but its actual impact is measured after the research is widely disseminated. This thought leadership has inspired change within corporations, industry-supported studies, and practitioners' adoption and implementation of research ideas.

How do we judge research with impact? The Association to Advance Collegiate Schools of Business (AACSB) serves as an international accrediting organization for business schools and defines effective research as diverse, highly visible and accessible to the public at large.

THESE FACTORS PROVIDE MEASUREMENTS TO DETERMINE RESEARCH WITH IMPACT:

- *the number of times a published article is cited*
- *the number of awards its authors receive*
- *testimony before a government or other policy-making body*
- *changes in business practice*
- *requests to present papers at important gatherings*
- *sales numbers of books*

This issue of Focus also highlights achievements of Hankamer faculty members. Dorothy Leidner earned the prestigious honor of being named an AIS (Association for Information Systems) Fellow. Four faculty members received awards for outstanding research: Christopher Blocker, Cindy Riemenschneider, Van Pham and Cindy Wu. The Hankamer School of Business celebrates an achievement of a student as well. Janice Lo is the first to earn a PhD in Information Systems from the School.

By engaging in and consistently publishing significant research, the faculty of the Hankamer School of Business will continue to play a fundamental role in the shaping of our business world.

TERRY S. MANESS
Dean, Hankamer School of Business

DEMOGRAPHY & DISAPPEARING MERCHANDISE

Every year, missing inventory in the United States and Europe cost retail businesses around $70 billion. Estimates are that these losses, known as shrinkage, are mainly due to employee theft (approximately 47%) and customer shoplifting (approximately 32%), but are also related to administrative and vendor errors, as well as unknown factors.

This shrinkage has important consequences not only to the businesses involved, but also to consumers who end up paying higher prices for their products. But even though the stakes are high, there has been very little research on the topic.

EMILY HUNTER, assistant professor of Management, found the topic irresistible.

"I am most fascinated by workplace deviance," she said. "There is such a prevalence of deviance at work, and it's not just one or two bad apples. Everyone is deviant at some point, whether it's as small as being rude to someone or taking longer breaks than you should, or something much bigger like stealing."

Hunter, who has an undergraduate degree in Psychology from Loyola University, as well as a master's degree and PhD in Industrial-Organizational Psychology from the University of Houston, set out to discover if the make-up of the store employees could determine the level of shrinkage in a store.

Along with colleagues Derek Avery, associate professor in the department of Human Services at Fox School of Business at Temple University, and Patrick McKay, associate professor of HRM in the School of Management and Labor Relations at Rutgers University, Hunter investigated this question at a Fortune 500 retail organization with more than 83,000 employees in 726 of their stores. Their article, "Demography and Disappearing Merchandise: How Older Workforces Influence Retail Shrinkage," was published in the *Journal of Organizational Behavior*.

"What we focused on was the age of the employees and how they felt about the store's whistle-blowing policy," Hunter said.

They theorized that stores with older workers would have less of a problem with shrinkage.

"Older workers tend to get a bad rap, and there is a lot of negative stereotyping and bias against older workers," Hunter said. "But we know that older people are more prone to behave ethically, that they are more emotionally stable and that they are more prone to helping behaviors than younger workers."

For purposes of this study, "older" was defined in a relative sense, and did not denote a particular age category.

The researchers discovered that older workers were indeed less likely to steal from the stores, and were also more vigilant about shoplifting and more likely to whistle-blow if they witnessed wrong-doing.

"We found that the more older workers a store had, and the less variety in ages of the workers, the less shoplifting and theft occurred," Hunter said. "However, that effect levels out if there is not an environment that supports whistle-blowing."

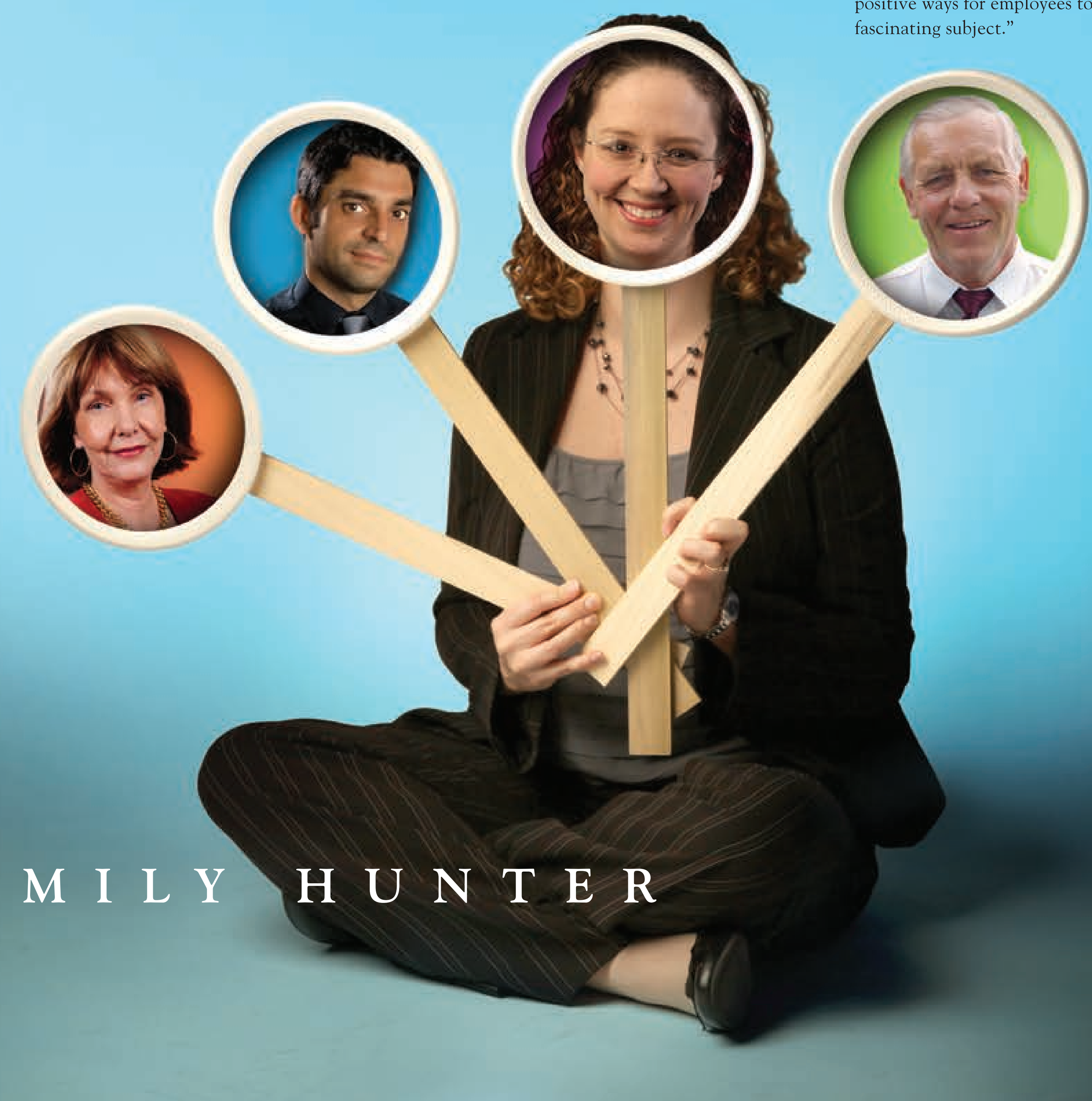
Employees were asked in a survey whether they felt they could report possible violations of law, ethics or company policy without fear of retaliation, and whether or not they perceived that action would be taken if they reported such violations.

"When there was a climate that supported whistle-blowing with a strong policy, and when there was a good, clear way to communicate and protect the whistle blower, shrinkage went down," Hunter said. "But, without that environment and the proper channels, age didn't make any difference at all."

Hunter is continuing to study workplace deviance by looking into the potential positive influences of deviance.

"It sounds strange, but a little deviance can be a good thing," she said. "For instance, if someone takes a longer break than they should, but it helps them to cope with a stress they're experiencing, it could be good. We're not condoning deviance, but if we can help managers understand why it's happening, they might be able to provide other, more positive ways for employees to cope. It's a fascinating subject."

www.baylor.edu/business/research/hunter



HANKAMER FACULTY EARN RECOGNITION & HONORS

***DOROTHY LEIDNER**, director of the Information Systems PhD Program, director of the Center for Information Systems Research and Ferguson Professor of Information Systems, earned the prestigious honor of being named an AIS (Association for Information Systems) Fellow at the International Conference on Information Systems (ICIS) held in Shanghai, China, December 2011.*

The AIS Fellow award recognizes individuals who have made outstanding contributions to the Information Systems discipline in terms of research, teaching and service on regional, national and global levels. Along with exhibiting high levels of professional and personal integrity, AIS Fellows should be a role model and an inspiration to colleagues and students within the discipline as well as earn respect from interested individuals outside the discipline. The award of AIS Fellow was established in 1999 by the Council of the AIS and the Executive Committee of the ICIS. Founded in 1994, AIS is an international professional society of 4,000 members from 90 countries and a key player in the advancement of the IS academic community.

Four Hankamer faculty members received awards for outstanding research. Recipients of the prestigious awards were chosen through a competitive application process. The awards provide funding for the faculty members to continue research in their field of study. **CHRISTOPHER BLOCKER**, assistant professor of Marketing, and **CINDY RIEMENSCHNEIDER**, associate professor of Information Systems, are the first to receive the Nitsche Award, which is funded by Robert and Robin Nitsche and recognizes outstanding faculty research and involvement. **VAN PHAM**, associate professor of Economics, and **CINDY WU**, associate professor of Management, received the McBride Award, which is given through the McBride Center for International Business. This is the first year the award has been offered, and recipients are granted a period of paid leave to focus their efforts on international research.

HANKAMER'S FIRST PHD GRADUATE EXPLORES IMPACTS OF IS STRATEGY IN DISSERTATION

*Baylor University's Hankamer School of Business will confer its first PhD in Information Systems (IS) on candidate **JANICE LO** during formal commencement in May.* Lo successfully defended her dissertation, "A Theory of Information Systems Strategy: Antecedents and Performance Impacts through the Development of Dynamic Capabilities," on Feb. 2, 2012.

Lo's dissertation focuses on assessing the impact of an organization's IS strategy by proposing and testing a theory of IS strategy that seeks to link IS strategy to IS's contribution to firm performance. Dorothy Leidner, director of the Information Systems PhD Program, served as Lo's dissertation chair and mentor.

In the dissertation, Lo contends that "strategy itself does not necessarily directly lead to performance gains, but rather it is the IT unit's consistent enactment of the IS strategy that aids the development of certain dynamic capabilities for the business unit, which in turn create gains in efficiency and effectiveness that contribute to the organization's overall performance."

The research is formulated using the power and politics perspective and the dynamic capabilities perspective to build a model that includes antecedents and expected impacts of IS strategy. To test the model, responses were collected from 271 CIOs and results suggest that the IT department's culture and power are significantly associated with the type of IS strategy the department implements. For instance, when department members are highly involved and actively participate in departmental affairs, the department's IS strategy is more likely to be one that is well-defined, rather than ill-defined or altogether undefined. But a culture of involvement does not relate to innovative strategies. Also, a culture where dynamism, creativity and risk taking abound is one in which innovative IS strategies seem to thrive. Furthermore, departments with more power in terms of organizational resource support and CIO expertise are more likely to implement innovative IS strategies.

The study's results also provide interesting insights into the impacts of IS strategy:

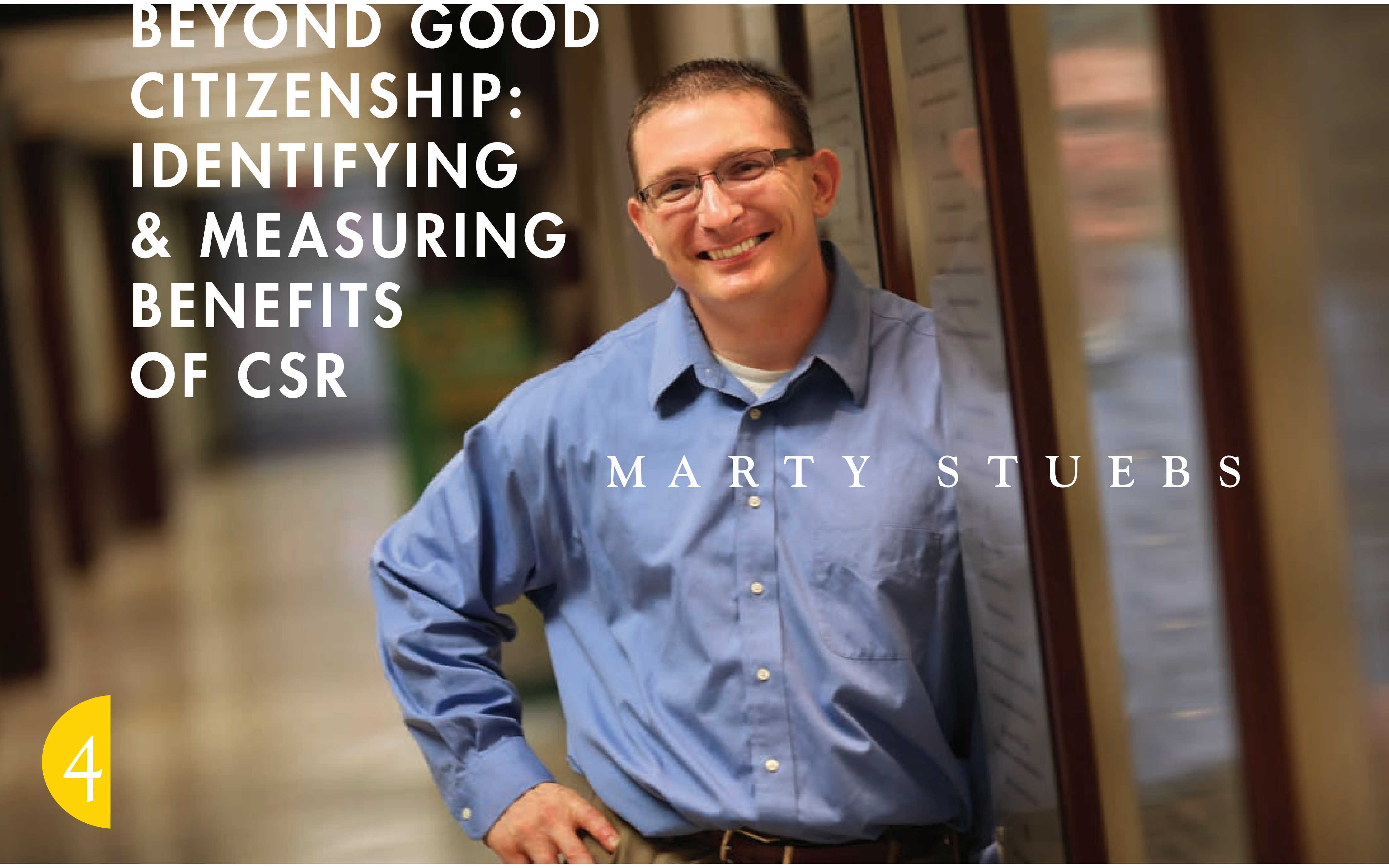
- Innovative IS strategies reinforce departments' dynamic capabilities development; undefined IS strategies tend to prove detrimental to capabilities development.
- Implementing conservative IS strategies were found to neither help nor hurt IT departments in terms of their agility development.
- The impact of the IS strategies on performance was indeed found to be mediated through the dynamic capabilities — absorptive capacity and agility — with the IS Innovator strategy leading in the way of performance, followed by the IS Conservative, and lastly the IS Undefined, whose lack of strategy tends to be harmful to performance.
- Post-hoc analysis revealed a fourth possible IS strategy, one that strives for ambidexterity. Ambidextrous firms were found to be associated with the most superior performance, leading to a potential extension of the existing IS strategy typology and a call for future research.

Lo said she is honored to be the first PhD graduate of the Hankamer School of Business and is very thankful for those who have helped her in her academic journey. She has accepted an assistant professor position at HEC Paris.

"It's exciting. Somebody had to be first, and that someone happened to be me," Lo said. "It's an honor to be associated with the University and the department. And I am grateful for those who helped make this a reality—Dr. Leidner and everyone who worked with me along the way and those who served on my committee."

Corporate social responsibility (CSR) is practiced by many firms for a variety of reasons and is drawing increased attention. Overall, businesses recognize that there are potential benefits to being socially responsible, but often these benefits are intangible and challenging to measure.

BEYOND GOOD CITIZENSHIP: IDENTIFYING & MEASURING BENEFITS OF CSR



MARTY STUEBS

MARTY STUEBS, associate professor of Accounting, and his coauthor, Li Sun, of Miller College of Business at Ball State University, set out to discover if there is a positive correlation between CSR and improved firm reputation that could be measured. Their findings, "Corporate Social Responsibility and Firm Reputation," were published in the *Journal of Accounting, Ethics & Public Policy* in 2011.

"In today's business environment, we know there are benefits to investing in corporate social responsibility, but identifying these benefits can be challenging," Stuebs said. "We want to identify the benefits. What we're asking here is whether improved company reputation is one of the benefits from socially responsible activities."

Stuebs and Sun started out by looking at prior research done by Vilanova et al. in 2009 ("Exploring the Nature of the Relationship Between CSR and Competitiveness"), which models how CSR affects financial performance and other dimensions of competitiveness. Stuebs and Sun defined corporate social responsibility as businesses considering the interests of society and taking responsibility for the impacts of their activities on stakeholders in various aspects of operations.

CSR goes beyond good citizenship, in that it asks businesses to voluntarily take steps beyond statutory obligations to improve society's quality of life. The main focus of socially responsible corporations is not solely profit maximization.

Because investments in social responsibility are not solely focused on profit, they are sometimes considered controversial. It is sometimes argued that they can increase cost and hurt performance, while competing with activities that can increase profits.

"We believed that those arguments could be overcome by showing that a socially responsible firm could actually gain financially while doing the right thing," Stuebs said. "We believed we could show fewer labor problems, fewer complaints from the community and improved relationships with stakeholders."

Stuebs and Sun used a sample of highly reputable firms from *Fortune's* Most Admired Companies list and compared them to firms not on the list. They also used data provided by KLD Research and Analytics, Inc., a company that has been actively collecting CSR data since 1991 on approximately 80 variables in seven qualitative areas plus several controversial issues including alcohol, gambling and tobacco activities. They then compared the two lists to measure the relationship between socially responsible activities and reputation.

"We found that there is a strong positive relationship between a company's reputation and its socially responsible practices," Stuebs said. "A company can do well by doing good, and doing good is rewarded."

Stuebs, who teaches accounting ethics, has been able to incorporate his research into his daily classroom lessons.

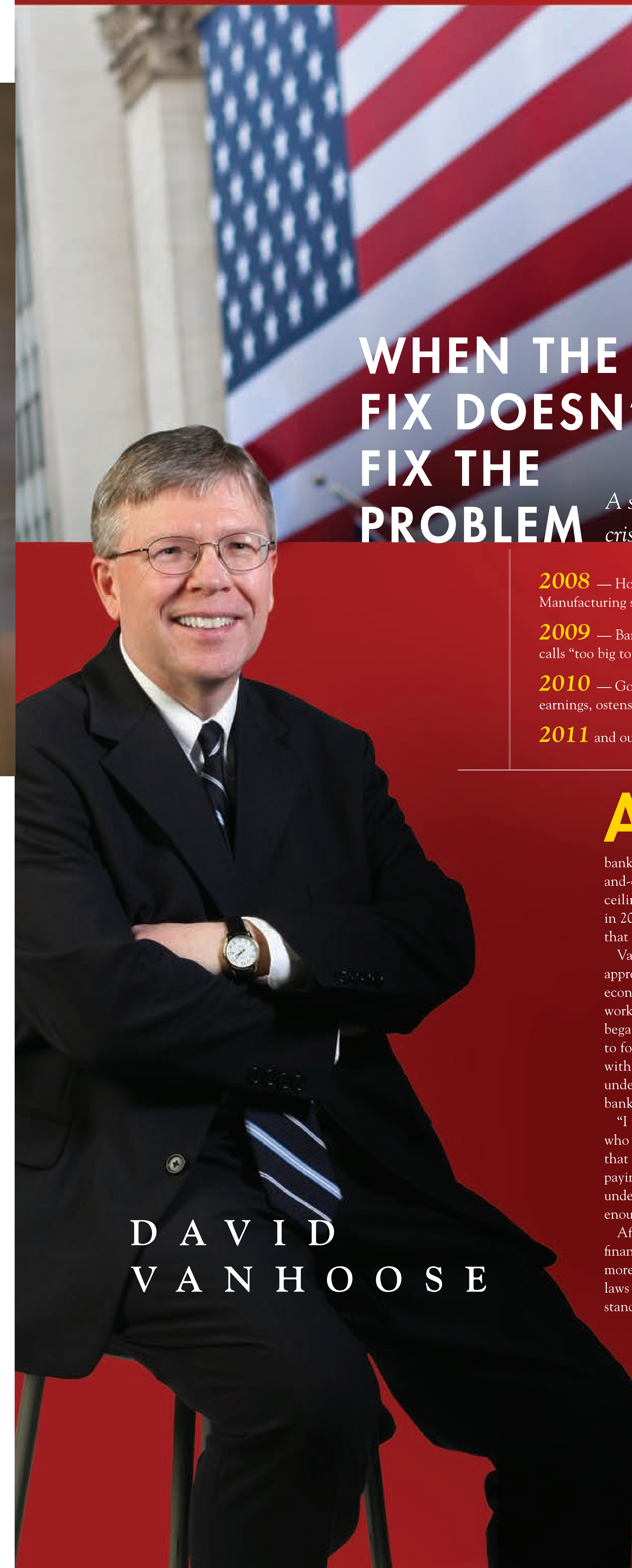
"I've noticed several crossovers from my research to what I'm teaching," he said. "I try to talk about my research so that I can get my students to think about acting responsibly, not only professionally in business, but personally as well. For example, students can apply these findings to their own personal lives. They can consider how their responsible actions have affected their own reputation and relationships. I believe this contributes to their personal and professional development—utilizing their God-given talents as contributing members of our community."

Stuebs is continuing his CSR research by studying the effect that it has on attracting better employees and improving employee productivity.

"This work does have a spiritual dimension for me," he said. "When we act in a socially responsible manner toward others, we are acting more consistent with the way God intends us to live our lives. In that way, I hope that my research brings some glory to God."

www.baylor.edu/business/research/stuebs

WHEN THE FIX DOESN'T FIX THE PROBLEM



DAVID VANHOOSE

A simple timeline of the most recent financial crisis in the United States might read like this:

2008 — Homeowners miss mortgage payments. Banks teeter; some fail. Manufacturing screeches to a halt. Unemployment and home foreclosures skyrocket.

2009 — Bank failures continue. The U.S. government rescues institutions it calls "too big to fail."

2010 — Government caps bank executives' pay, tying salaries to banks' earnings, ostensibly to curb risky loan-making. Taxpayers appeased.

2011 and outlying years: All is well.

All is not really well, however, and simple fixes are not always the answer to complex problems. Economics professor **DAVID VANHOOSE**, who has been studying banking issues for the last decade, has discovered there is no clear cause-and-effect answer to the question about whether a government-dictated ceiling on pay ensures the right kind of behavior. His research, published in 2011 by the International Atlantic Economic Society, shows instead that such a pay cap can create more problems.

VanHoose, the Herman W. Lay Professor of Private Enterprise, approaches the issue of government regulation wearing not only an economist's hat, but also the mantle of industry experience. He has worked in both insurance and banking industries. His interest in banking began in the 1980s, but he moved away from the subject in the 1990s to focus on other areas. Ten years ago, he returned to banking topics with renewed interest, seeing risky behaviors of bank loan officers and under-funding of the Federal Deposit Insurance Corp., which insures bank deposits.

"I was taken aback by the whole thing," VanHoose said. Many people who should have foreseen the storm did not anticipate the disaster that unfolded in 2008, he noted, but some did. "The people who were paying attention knew there would be problems. There were people who understood this could happen, who said that the FDIC would not have enough cash to pay off even one or two large bank failures."

After dozens of banks failed and the government rescued many financial institutions to the dismay of taxpayers, it became clear that more regulations to prohibit risky behavior would follow. The result was laws that directed the Federal Reserve to establish formal regulatory standards for bank pay practices.

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VanHoose's dismay with the panic and what happened next led him to begin researching the issue of pay regulations to learn more about why people were proposing that particular rule and what it might do. He dislikes the term "predatory lending," but he also knows that people sometimes do get taken advantage of. He wondered if, perhaps, he was looking at the "greedy banker" story, and if reasonable arguments existed for regulating bankers' pay.

His research, published in a paper titled "Regulatory Constraints on Performance-Based Managerial Compensation, Bank Monitoring, and Aggregate Loan Quality," demonstrates that the full story about what happened, and what is likely to happen with new regulations, is more complex than a tale about a greedy banker taking liberties with a hapless borrower. His research also appears in a chapter titled "Regulation of Bank Management Compensation" in the book *Financial Market Regulation: Legislation and Implications* published by Springer in 2011.

In his research, the professor analyzed studies of management compensation schemes and the risks that bank managers take to see what government regulation of pay might mean to the banking business. His findings show little evidence that government restrictions on bankers' salaries would induce less risky behavior by bankers.

Instead, VanHoose suggests that regulating the pay of top people likely would lead to a shortage of exactly the kind of talented people banks need. The best—the most talented and experienced—will go into other industries where their pay is not capped and do the same thing there that they would have done for the banks. If they do stay at the bank, they may work less diligently at weeding out the riskiest loan prospects. "You have the opposite of what you wanted," he noted.

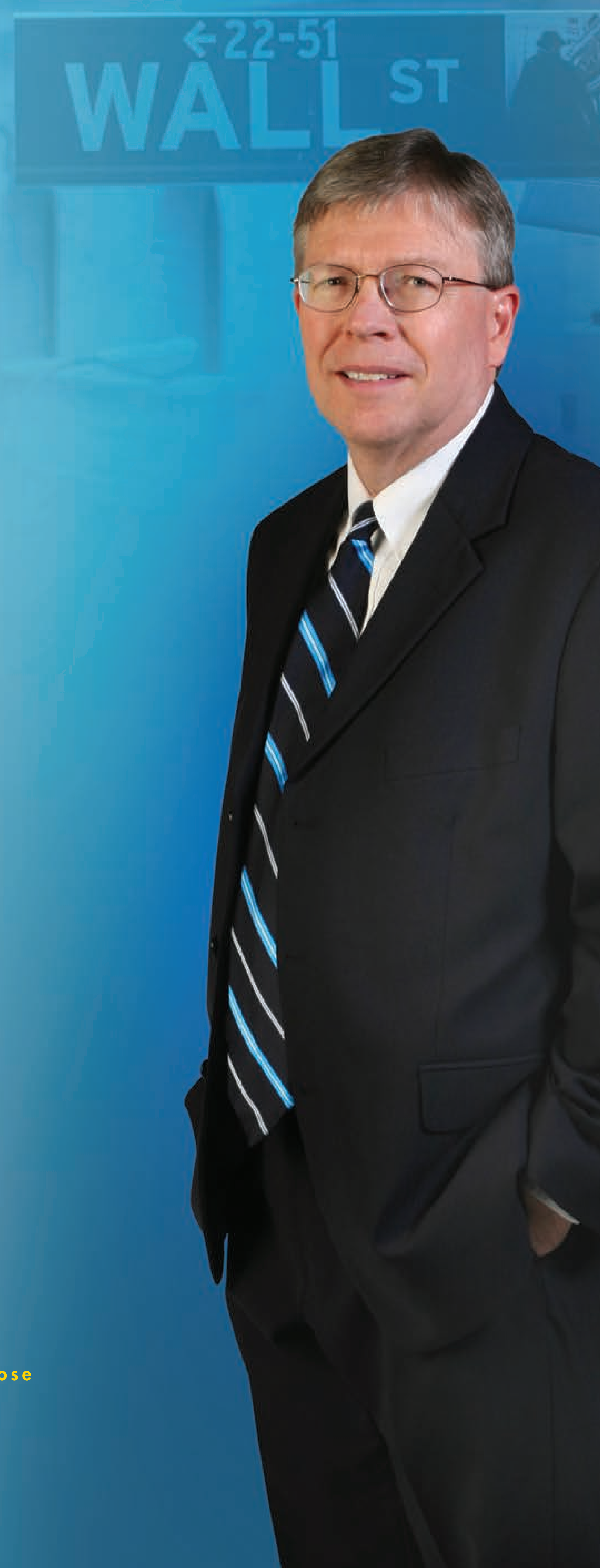
Additionally, this kind of pay regulation often leads to managers trying to get around explicit regulations by substituting perks for salary. Thus, regulations have the effect of making banks less efficient because they run up expenses unrelated to their primary purpose.

The banking problem is systemic, VanHoose said. The premiums that banks pay the FDIC to protect deposits have been too low almost since the time of the FDIC's creation in 1933. Most insurance works this way: When an insured person pays a private company for home, auto or health insurance, his premiums are based on what an actuary says is fair compared to other homes, autos or people in the same group. The government does not do that with FDIC insurance, and because it does not charge banks enough, bankers have an incentive to take a greater risk with loans, VanHoose said. "If things go sour, the FDIC stands ready, with taxpayer backing, to bail out the banks."

Not all banks take advantage of this shortcoming, but enough do to create problems. But more effective and straightforward than a rule regulating bankers' pay would be for the government to correct the flaw in FDIC funding by ensuring that it is actuarially sound. In short, asked VanHoose, "Why don't they just repair deposit insurance?" Despite calls to do so—including pleas by the FDIC itself to require the banks to pay more for insurance—there is little political will to make the changes necessary, VanHoose noted.

Experts at the Fed and the FDIC understand these issues, VanHoose said. But not everyone who crafts the laws of the land has the same understanding. And unfortunately, most people don't listen to economists—even to professors like Edward J. Kane of Boston College, who has predicted past banking breakdowns.

VanHoose intends to continue this line of research and believes that well-founded analyses can find their way to Washington through congressional staff members—and perhaps promote productive solutions over blaming bankers or the housing industry. "It's easy to act like you can dictate something," he added. "Producing a desired outcome is very different."



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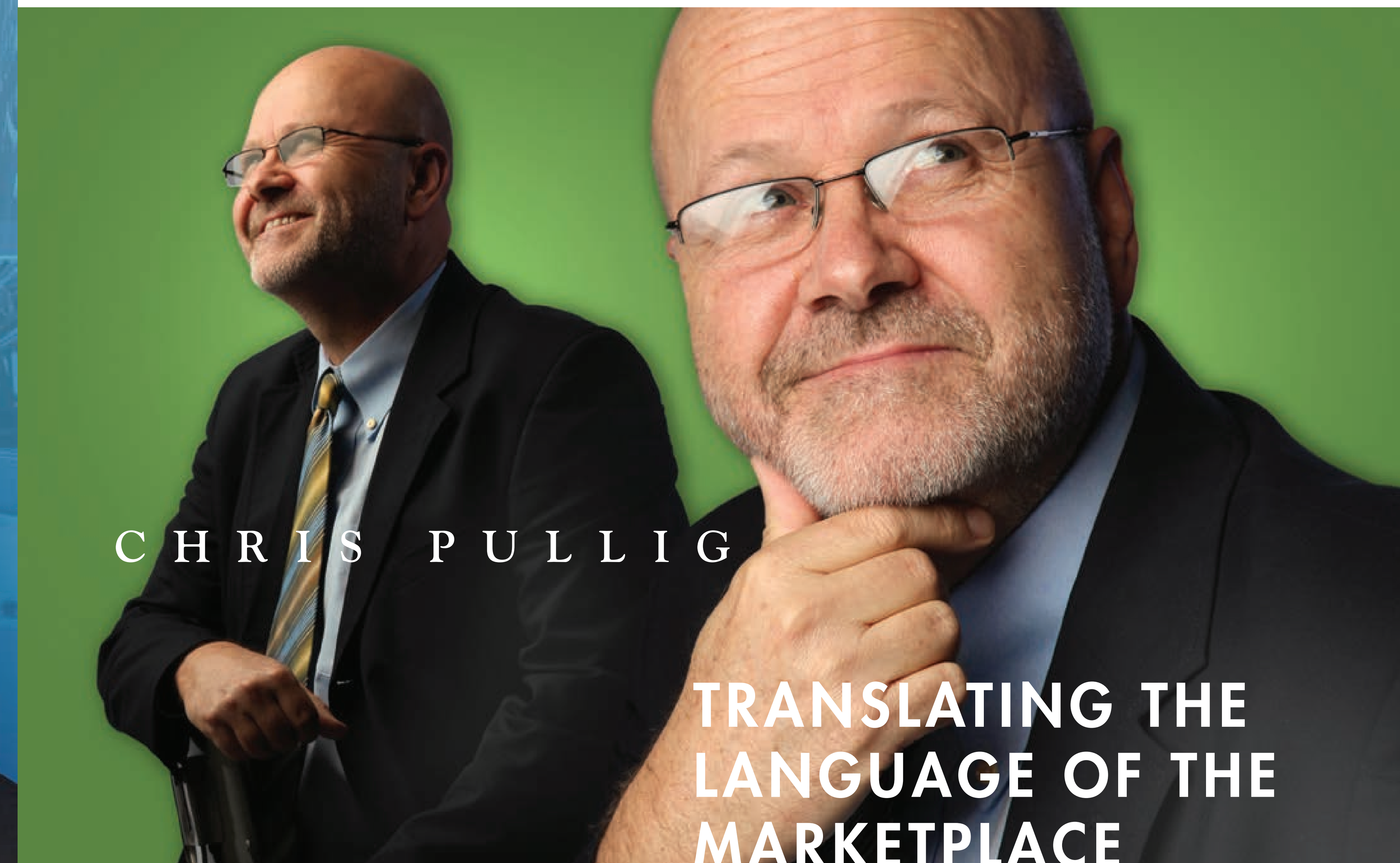

CHRIS PULLIG

TRANSLATING THE LANGUAGE OF THE MARKETPLACE

A shopper dressed in casual clothes is writing a check to a store to cover the $400 in items she is purchasing. She is a frequent shopper at the store and has written checks there before. However, the cashier, a woman of a different race, tells the shopper that the store cannot accept her check and begins removing items from the shopping bag. The shopper first questions whether the check acceptance policy has changed, and then decides more drastic action is necessary. She pulls $500 in cash from her wallet to pay the bill and tells the cashier not to judge a book by its cover. Shoppers waiting in line cheer. The woman does not quit shopping at the store, but does tell people often what happened to her there.

The incident is one that could happen anywhere, and is only one example of a shopping hurdle in a multicultural world. Envision this store in another country, perhaps in Europe, Asia or Africa. Or envision a vast store that stretches across countries—even countries that have been closed to the rest of the world for centuries—and includes consumers of both genders, multiple religions and races, and all ages.

That's the marketplace of today, and it's one that both the shopper and the shop owner must navigate—the latter while avoiding stereotyping and cultural miscues. This worldwide market is the place professor **CHRIS PULLIG** examines in a paper he co-authored with 11 other people titled "Consumer Empowerment in Multicultural Marketplaces: Navigating Multicultural Identities to Reduce Consumer Vulnerability." The paper appears in an issue of the *Journal of Research for Consumers* and is only one of several the collaborators are working on.

What happens in the store mentioned above, or in any marketplace in which the customer feels a loss of power or cultural identity, is critically important to both the shopper and the business' brand, Pullig said. Traditionally, the experience harms the shopper by reducing or removing her control and freedom of choice. But it also harms the brand by curtailing its exposure. "We want all consumers to go to the marketplace and have the full experience," he said. "We want to make sure brand managers understand why this matters."

Pullig, who chairs the department of Marketing, developed this area of research through his interest in branding and because of the rapidly changing marketplace. "Western economies have become more multicultural because of immigration, but even in the traditionally mono-cultural economies in the Middle East, China and Africa, there is an influx of Western brands and ideals," he said.

These changes mean that consumers must learn to negotiate the marketplace to maintain their cultural identities, and that a business must make branding appeals, and other appeals, that are culturally based. However, these kinds of appeals can be complicated. A message that condescends or excludes groups, for example, may make consumers feel more vulnerable and result in an outcry, or even a boycott. Businesses might even find themselves on the wrong side of the law in some situations.

The solution, Pullig said, *is for brands to be transparent. That means repeating the same message across the marketplace, which is different from what advertisers have traditionally tried.*

"Brands used to segment a market geographically and on cultural or ethnic appeals," he said. Advertisers knew where to advertise and how to tailor a message to a particular group. "Today, boundaries are more blurred, so that kind of advertising is difficult." And because of social mediums like Facebook and Twitter, consumers freely share messages across markets.

Multicultural awareness in the marketplace was an issue discussed during the Transformative Consumer Research Conference that Baylor hosted in June 2011. The idea of the conference, which drew more than 100 scholars from 14 countries, was to examine issues of consumer welfare as well as how businesses can better connect with and respond to multicultural consumers.

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TRANSLATING THE LANGUAGE OF THE MARKETPLACE cont.

"We sat for three days in a room, with 10 to 15 scholars in different areas looking at different subjects, from poverty to food issues and obesity," Pullig said. "We hammered out the issues and examined what we could address."

Pullig and the collaborators used a qualitative approach in their paper. The results include colorful vignettes from personal experiences that illustrate consumer vulnerabilities—including the one at the beginning of this article—and an examination of how each person or group dealt with a cultural issue. One example dealt with different dietary restrictions among Russian and Israeli Jews, and showed how the Russian group dealt with an Israeli ban on pork; another used a craft market in Uganda, at which a professor asked a colleague to help her negotiate cultural and language barriers to purchase gift items. The vignettes help demonstrate five different approaches that consumers took to overcome barriers: product innovation (thinking outside the box); voiced complaint (the example at the beginning of this story); reappraisal of the situation (recognizing that a perceived threat is not real); gaining market familiarity; and finding a social resource.

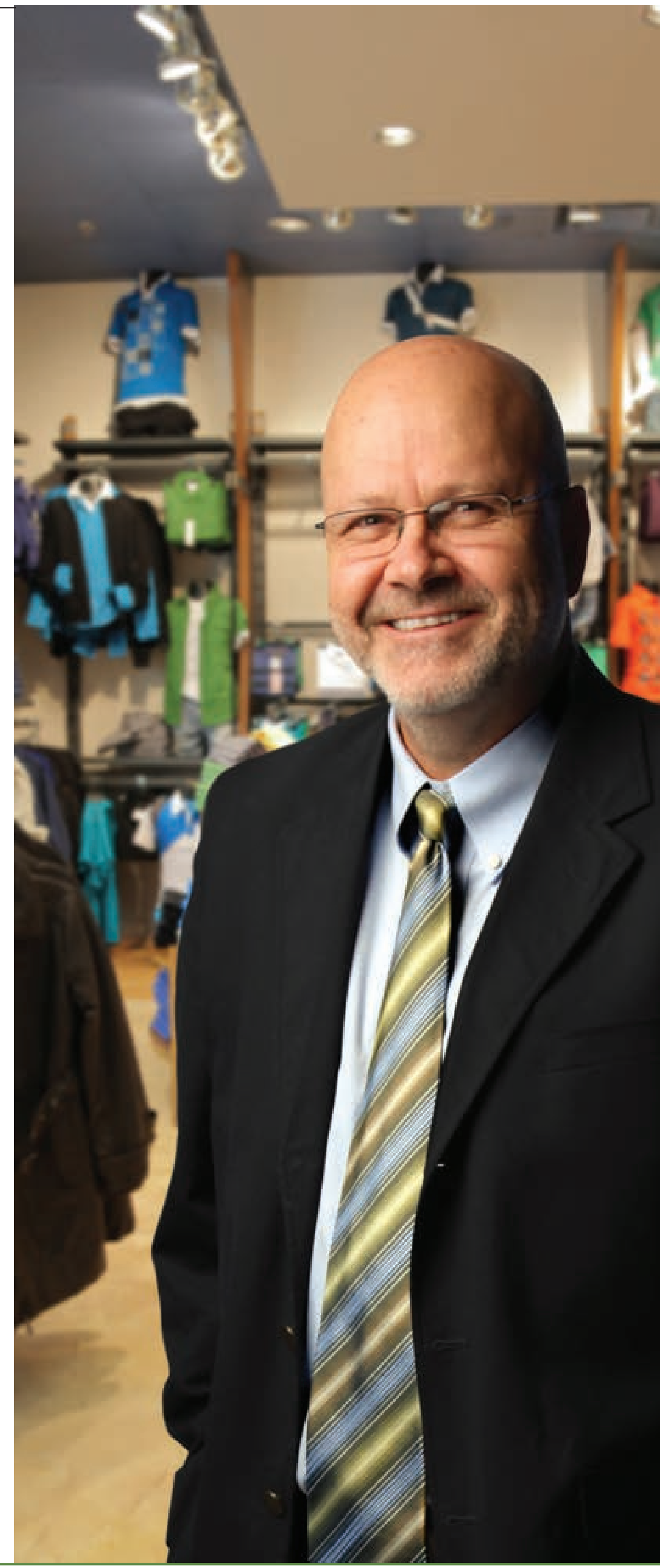
The 12 collaborators live in the United States, Europe, South Africa and Australia and are working together on several papers, Pullig said. To easily negotiate their own multicultural marketplace, they established a method.

"We came up with a system where different individuals drive different parts of the paper," he said. "I would work on a certain section, and someone else would work on another section, and then we would work to meld these sections into one coherent article. We have burned up Skype. Historically, we don't work this way, but technology, organization and effort helped us to be effective."

Another paper the collaborators are working on, forthcoming in the *Journal of Business Research*, targets brand managers. Pullig said their work will go into textbooks and be taught in business schools.

"All the publicity that arises from the different papers that we've written, and publicity from the conference, does find its way to consumers and managers," he said. "In that way, academic research reaches current and future business leaders."

www.baylor.edu/business/research/pullig



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