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Research at Babson - 08/2010

Babson Faculty Research Fund

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Babson Faculty Research Fund

Upcoming Research Programs Noon to 1:15 PM – Needham Room, Olin Hall

Wednesday, September 8

Robert Halsey, Accounting and Law,
“Reversion of RNOA and its Components”
Shari Laprise, Mathematics and Science,
“Analysis of DNA barcodes to identify and distinguish between
two groups of native and invasive plant species”

Wednesday, September 29

Yunwei Gai, Economics, “Minority Business Start-Up,
Survival and Financing in the U.S.”
Ruth Gilleran, TOIM, “Be a Corporate Entrepreneur:
Lessons Learned From the IT Industry”

Save the Dates

Tuesday, October 5 -- Tuesday, October 19

Changes on BFRF Outgoing

We thank **Candida Brush**, Entrepreneurship, for two years of dedicated service on the BFRF, and **Dhruv Grewal**, Marketing, for five years of dedicated service. Grewal, who served as Chair throughout his tenure on the BFRF, orchestrated the merger of the BoR and FRF and successful launch of the BFRF.

Incoming

This fall, the BFRF welcomes **Bala Iyer**, TOIM, and **Joel Shulman**, Entrepreneurship; **Michael Levy**, Marketing, replaces **Elaine Allen**, who is on sabbatical. Continuing members are **James Hoopes**, History and Society, and **Joseph Weintraub**, Management. If you have questions about the BFRF, contact any of the members or [Susan Chern](#), coordinator.

New Chair

Joel Shulman has been elected BFRF Chair for the 2010-2011 academic year.

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Faculty News

“A gender-aware framework for women’s entrepreneurship,” by **Candida Brush**, Anne de Bruin, and Friederike Welter, has been chosen as an Outstanding Paper Award Winner at the Literati Network Awards for Excellence 2010.

Candida Brush participated in two Roundtables at the Second Annual Entrepreneurship Research Exemplars Conference -- Emerging Themes Journal Editors' Roundtable and Mentor Roundtable where Brush was an ENT Division Mentor Award winner.

Drawing from her book, *Lillian Wald: A Biography*, **Marjorie Feld**, History and Society, has been working with the Tenement Museum in Manhattan to strengthen and revitalize its walking tours, which focus on immigrant family life and life histories on the Lower East Side. Feld is one of a small group of NEH Scholars—historians and museum specialists whose efforts are funded by a Museum grant from the National Endowment of the Humanities. The Scholars will present workshops to the Tour educators, connecting their academic work to public history through the 160,000 annual visitors to the Museum’s Tours.

Yunwei Gai, Economics, presented “Minority Business Start-Up, Survival and Financing in the U.S.” at three conferences: American Economic Association Annual Conference, Babson College Entrepreneurship Research Conference (BCERC), and Southern Economics Association Annual Conference. This research was supported by BFRF. Another paper, “CEO Compensation and Firm Performance” was recently listed on SSRN’s Top Ten download list. Gai presented the paper at the Millstein Center for Corporate Governance and Performance of Yale School of Management.

MIT Sloan Management Review has published “The IT Audit that Boosts Innovation” by **Steven Gordon**, TOIM, and Monideepa Tarafdar.

More “Faculty News” on page 3

BFRF Final Products Accepted

Jon Dietrick, Arts and Humanities, “‘New Money’ and the Circulating Black Body in August Wilson’s *Joe Turner’s Come and Gone*”

The work investigates the role of money and economic relations in social constructions of race in the work of African American playwright August Wilson, specifically his play *Joe Turner’s Come and Gone*. The work finds that Wilson’s play associates the money economy with a particularly American anxiety over the slipperiness of the verbal and visual (and theatrical) sign, and attempts to transcend this “logic of naturalism,” working toward a new way of thinking about Black identity and recording Black history in America.

Yunwei Gai, Economics, “Minority Business Start-Up, Survival and Financing in the U.S.”

In spite of an overall increase in minority self-employment, the difference between the percent of self-employed black and white Americans is still striking (11.6% vs 3.8% respectively). We use the data from the Kaufman Foundation survey to examine whether the use of commercial financing has a different impact on the survival of black owned firms compared to that of other groups. Since the survival of a startup is largely determined by the owners’ human capital, we use propensity score matching method to address the endogeneity problem, and panel data and survival models to account for the fact that survival rates change significantly with the age of the business. Our results suggest that the use of commercial financing reduces the exit rates of new firms regardless of the race of their owners but that the reduction is smaller for black owned businesses. We attribute this differential to unobserved heterogeneity probably linked to owners’ startup capital.

Robert Halsey, Accounting and Law, “Reversion of RNOA and its Components” Prior research documents the reversion to a mean value over time of returns on assets and equity and increasing rates of reversion for firms that are farther from the mean and for poorly performing firms. Researchers have also begun to explore factors that may have predictive ability for expected

reversion, such as changes in the profit margin and asset turnover, in an effort to increase forecasting accuracy. My study adds to this line of research and provides a comprehensive investigation of the reversion characteristics of the components of both the numerator and the denominator of the returns ratio. I find that the observed reversion of returns is associated with reversions of both its numerator and its denominator. I also find that components of earnings in the numerator and net assets in the denominator exhibit differing rates of reversion and that these differences in the rates of reversion of the income statement and balance sheet components can be exploited to improve forecasts of the return ratio.

Gang Hu, Finance, “Do Stock Splits Increase Information Production? Evidence from Institutional Trading” (Abstract not available at this time.)

Erik Noyes, Entrepreneurship, “Music to Our Ears: New Market Creation and Creative Influences in the Popular Music Industry”

In a creative industry, what pattern of creative influences increases the likelihood that an artist will pioneer a new market? This longitudinal research examines all major artists in the Popular Music Industry between 1950 and 2008 and their unique creative influences to examine if certain structural positions in the complete network of influences make one more or less likely to be a first mover in new markets. Since 1950, the Popular Music Industry has grown into a \$8 billion dollar a year industry with wealth creation arising from the creation of 193 separate new markets. We apply network analysis to the social structure of the Popular Music Industry to see—do artists who pioneer new markets occupy and exploit distinct structural positions in the influences network? Applying Resource Dependency Theory, we examine each artist’s structural pattern of creative influences as an idiosyncratic resource base from which to fashion industry-shaping musical innovations. We find that artists who draw from centrally-positioned versus peripherally-positioned artists/creative influences are more likely to pioneer new markets.

Ross Petty, Accounting and Law, “Super Hero®”

In the 1970s, the two largest superhero comic book companies developed a joint strategy for the registration and control of SUPERHERO as a trademark across a wide variety of industries. This paper examines the development and implementation of this strategy and analyzes its appropriateness from the perspective of trademark and competition policy.

Anne Roggeveen, Marketing, “How Far Will You Travel to Save Money? The Moderating Effects of Product” Retail location is commonly cited as being a critical factor in a retailer’s success. In general, retailers located at less convenient locations charge lower prices to entice customers to their store. This research explores other ways retailers located at less convenient locations can compete. Building on resource allocation theory (Feldman and Hornik 1981), we posited and found that consumers are willing to travel without any expectation of price savings if the stock is certain to be available. Thus, indicating the retailers at more remote location can compete not only via price savings, but by simply ensuring that the item is in stock. However, since it is simply not feasible to ensure that every item will be in stock at all times, we investigated if simply offering a merchandise guarantee which promises to compensate the customer in some way if the item is not in stock would be sufficient to entice customers to shop at less convenient locations without price savings. Our findings support that it is. These propositions are modeled and then tested across two experiments.

Denise Troxell, Mathematics and Science, “Labeling matched sums with a condition at distance two” (Abstract not available at this time.)

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More Faculty News

Robert Halsey, Accounting and Law, presented “Reversion of RNOA and its Components” at the American Accounting Association Mid-Atlantic Conference and American Accounting Association National Meeting. This research was supported by the BFRF.

A BFRF award helped **Kandice Hauf**, History and Society, write a book chapter and conference paper. “Discipleship in the Confucian Tradition and in Comparative Perspective,” was presented at two conferences: the Colloquium of the History and Philosophy Departments of People’s University in Beijing and at Torchinov Readings: Ideals. Values. Norms, Saint Petersburg State University, Russia.

Gang Hu, Finance, presented “Do Stock Splits Increase Information Production? Evidence from Institutional Trading” at several conferences: 2nd Boston Area Finance Symposium, Northeastern University; Mid-Atlantic Research Conference in Finance (MARC), Philadelphia; Financial Management Association (FMA) Meeting, Dallas; Asian FA-NFA International conference, Japan.

Erik Noyes, Entrepreneurship, has scored several hits from his BFRF fall 2009 course release. “Music to Our Ears: New Market Creation and Creative Influences in the Popular Music Industry” will be published as a chapter in a refereed book: *Entrepreneurship and the Creative Economy: Process, Policy and Practice*. This paper was presented at Institute for Small Business and Entrepreneurship Annual Conference. A related article, “Music to

Our Ears: Examining the Origins of New Market Creation in the Popular Music Industry,” appeared in an editor-reviewed magazine, *Enterprising Matters Magazine*. Other efforts with the broad project yielded a Best Paper Award for “Visualizing Creative Destruction in Entrepreneurship Education” at the International Conference on Human System Interaction.

Mary Pinard, Arts and Humanities, recently received some very good news. “Song Net for an Estuary,” supported with a BFRF stipend, has been awarded one of two runner-up prizes in the 2010 *Iowa Review* Poetry Award Contest. Her poem, a 15-sonnet sequence, will be published later this year in *The Iowa Review*. There were over 400 entries for this contest and 16 finalists.

Globalization of Entrepreneurial Capitalism by **Srinivasa Rangan** and **Peter Cohan**, Management, was published by Palgrave Macmillan, June 2010. This research project was supported by both the BFRF and the Glavin Council of Chairs.

“How Far Will You Travel to Save Money? The Moderating Effects of Product Availability Uncertainty,” by **Anne Roggeveen**, Marketing, was presented at Pricing Conference, Orlando, and the Summer American Marketing Association Conference, Boston. This project was supported by the BFRF.

Bankruptcy Laws and Entrepreneur-Friendliness” by **Yasuhiro Yamakawa**, Entrepreneurship, and co-authors Mike W. Peng and Seung-Hyun Lee, was published in *Entrepreneurship Theory and Practice*.

External Funding

Corporate, Foundation, and Government Relations Office (CFGR)

Wendy Silverman, Director, CFGR

The Office of Corporate, Foundation and Government Relations (CFGR) within Development and Alumni Relations at Babson College provides guidance and assistance to faculty and staff seeking funding from corporations, foundations, and government agencies to support their research and curricular development initiatives. Among the services provided are pre-award activities such as identifying and researching possible funding sources, assisting with cultivation of funding prospects and with proposal development and writing, particularly in the final draft stage, and ultimately with the submission of proposals. Post-award assistance is provided by both the CFGR and the Business Office. Among the post-award activities for which faculty and staff can obtain help are grant negotiation, budget clarification, financial and narrative reports, requests for extensions, and grant close-outs.

If you would like to explore the possibility of external funding or examine your research agenda please contact me at x5993 or silverman@babson.edu.

National Science Foundation (NSF) One-Day Workshop – Sept 21

The workshop is primarily designed for researchers and educators less experienced in proposing to the NSF. The hope is that events such as this will stimulate new interest in NSF programs at institutions that have not been among our traditional customers.

The workshop will provide an overview of the Foundation, its mission, priorities, and budget. It will cover the NSF proposal and merit review process and NSF programs that cut across disciplines.

Representatives from the seven NSF directorates will make presentations on their programs and will also be available informally and in breakout sessions for discussions of potential research proposals.

The workshop will be held at the Dana Conference Center, University of Toledo Health Science Campus. Please register by Monday, September 13, 2010. Space is limited.

[Click here](#) for additional information, agenda, and registration form.

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