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Research at Babson - 01/2006

Babson Faculty Research Fund

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Babson Faculty Research Fund (BFRF) News

BFRF Proposal Deadline Reminder:

January 31, 2006

There is just one due date for major awards, 2006-2007 course releases, and 2006 summer stipends.

Application forms are online at k\faculty\BFRF\forms

Copies of the Bylaws and a summary of the questions and discussion topics from the information sessions may also be found online at k\faculty\BFRF.

If you have questions, contact any of the BFRF members: Dhruv Grewal (Chair), Larry Moss, Dennis Mathaisel, Jennifer Bethel, and Blake Patridge.

Upcoming Research Chats

Wednesday, February 1, 2006

Dessislava Pachamanova, Mathematics and Science
Robust Optimization and Portfolio Risk Measures

Anne Roggeveen, Marketing
What Type of Retailer Should Offer a Price Matching Guarantee? It Depends on the Fit Between the Retailer’s Reputational Strategy and the PMG Pricing Tactic

Thursday, February 16, 2006

Kevin Bruyneel, History and Society
Politics on the Boundaries: U.S.-Indigenous Relations and the Third Space of Sovereignty

Marjorie Feld, History and Society
Unorthodox Jews? Contemporary Expressions of Jewish Identity and Community

Programs are held from Noon to 1:15 PM in the Needham Room, Olin Hall
The following faculty members have been awarded spring 2006 course releases to pursue BoR sponsored research activities this semester.

**Elizabeth Goldberg**, Arts and Humanities.
Introduction for essay collection *Torture in the Post-9/11 World*.
This project will be the Introduction to a volume of essays, testimonials, artwork, poetry, and photography by survivors of torture and non-survivor academics and activists working in the field of human rights.

**Michael Goldstein**, Finance.
Brokerage Commissions and Institutional Trading Patterns.
Why do brokers charge per share commissions for execution of institutional trades? This research describes a model of a scarce resource where clients adjust their order flow routed to a particular broker and the per-share commissions to maintain the required payment for a desired level of service.

**Steven Gordon**, IT Management.
The Role of Information Technology in Managing the Innovation Process.
The management of innovation is widely acknowledged to be difficult and complex. The foci of this study are how IT can help manage the innovation process and, as a result, what generic IT capabilities a firm must have to succeed in being innovative.

**Hsiang-Ling Han**, Economics.
Managing Foreign Exchange Risk and Exposure with a Novel Regime-Switching Model.
Successful international financial decision making for a multinational business relies on the business’ ability to forecast exchange rates. In this project, the investigator will develop a Markov regime-switching model and apply the model to test for long swings in the Dollar-Euro exchange rates.

**Gang Hu**, Finance.
The Profitability and Informativeness of Institutional Trading in IPOs.
Using a large sample of proprietary transaction-level trading data, Hu will analyze the profitability and informativeness of institutional trading in IPOs.

**Kent Jones**, Economics.
Globalizing the Gains from Trade: An Agenda for the WTO.
The project is a book-length study of the WTO and its ability to extend the gains from trade to all countries, including poor countries that are WTO members but are currently incapable of connecting to global markets, and other countries currently excluded from the WTO system.

**Donna Kelley**, Entrepreneurship.
The Evolution of Innovation-Based Entrepreneurship Systems in Established Corporations.
This research has two objectives: (1) to identify the shocks impacting corporate entrepreneurship systems as they evolve, and (2) to model the process of establishing and evolving these systems.

**Dennis Mathaisel**, Mathematics and Science.
Transforming the Military Industrial Enterprise.
The U.S. Department of Defense, Business Initiatives Council, issued an urgent directive to military depots to “rewrite organizational business practices using private sector inspired ideas and methods in transforming the DoD into a more efficient MRO [Maintenance, Repair and Overhaul] organization for the 21st century.” This project develops the defining architecture for these transformations.

**Mary O’Donoghue**, Arts and Humanities.
*and another thing*: A Translation of Louis de Paor’s Irish-language poetry collection *agus rud eile de*.
This project involves the translation into English of the post-1999 poems of Irish-language poet Louis de Paor, specifically his untranslated collection *agus rud eile de*, with the goal of completing a book-length bilingual manuscript.

**Miguel Rivera**, Management.
The determinants of learning in alliances – A meta-analysis.
For over twenty years, the research on strategic alliances, and, more specifically, the research on learning in alliances, has been a major research stream in management. The aim of this project is to assess what is known to date about learning in alliances, by integrating the research findings across the many published studies in the literature with meta-analytical techniques.
**BOR Final Products Accepted**

*The Board of Research has accepted Final Products from the following faculty members who have completed their BoR sponsored research projects.*

**Kevin Bruyneel**, History and Society.
The claim of this book is that the imposition of American colonial rule and the indigenous struggle against it must be understood as a conflict over boundaries, a conflict that has defined U.S.-indigenous relations since the time of the American Civil War.

**Marjorie Feld**, History and Society.
In the last decade, American Jews have been divided over what constitutes authentic expressions of Jewish identity, provoking high-stakes debates in academic and popular settings. *Unorthodox Jews* brings together analytical and autobiographical essays by those people who express their Jewish identities in a diversity of ways, religious and secular: through scholarship, activism, art, and philanthropy.

**Kathleen Hevert**, Finance.
Long Run Performance of Serial Acquirers in the Information Technology Sector.
This study examines whether serial acquirers create or destroy shareholder wealth, using a sample of 211 large U.S. firms within the information technology sector between 1980 and 2002. It also explores whether different types of series are differentially associated with long-term performance.

A Grounded Theory Study of Internal Developmental Coaches.
There is a growing trend toward the use of expert internal developmental coaches for the provision of customized relationship mediated learning experiences. However, there has been scant research in the field and as such there is little guidance for the practitioner or organizational decision maker regarding appropriate best practices. These two chapters, drawn from the existing literature as well as three new case studies offers the reader help in defining the role of an internal coaching program, the competencies required of the internal coach, the development of internal coaches and the management of an internal coaching program.

**Laurie Krigman**, Finance.
The costs of Issuing Common Equity: Information Asymmetry and Registration Choice.
Theory suggests the adverse-selection costs of issuing equity should depend on forms’ information characteristics. We explore the relation between information asymmetry, the cost of issuing equity, and firms’ choices of registration strategies. We hypothesize and find that high information-asymmetry firms prefer a registration strategy requiring detailed advance disclosure and slow market access. Low information-asymmetry firms select a streamlined and quick registration strategy. High information-asymmetry firms, which experience modest stock-price declines when they choose the more regulated strategy to issue equity, suffer large declines with the deregulated strategy. Equity-issuance costs are strongly related to firms’ information characteristics and registration choices.

**Toni Lester**, Accounting and Law.
The U.S. Constitution and the Future of Gay Marriage.
This paper examines current debates both in and outside of the gay community about the merits of fighting in the courts for the rights of gays to marry. It also looks at legal jurisprudence in this area, by focusing on the key Supreme Court cases that the current Supreme Court is most likely to rely upon when it next considers a gay marriage claim. One of those cases, *Lawrence v. Texas*, was decided in 2003. The paper also examines other recent political and legal developments that will influence the Supreme Court as well, including the passage of various state defenses of marriage acts, and the current consideration of a Congressional proposal to pass a constitutional amendment banning gay marriage.

**Joan Lindsey-Mullikin**, Marketing.
Bourdieu (1984) elaborates on social position (status) as being predicated on choices about the allocation of three kinds of resources individuals have access to. Bourdieu terms these resources as capital since individuals hope the three will appreciate in value. These are economic, social, and cultural capital. Bourdieu’s work opens the question of how children develop the ability to make aesthetic consumer decisions involving taste, an issue that is under-theorized in the consumer research literature which instead focuses on children’s development of cognitive competence for making rational economic choices. This study examines the relations between parents shopping for toys and retail store owners and employees, and articulates the flows of economic, social and especially cultural capital that occur within that retail context.
Dennis Mathaisel, Mathematics and Science.
Best Sustainment Practices -- Case Studies: Naval Aviation (NAVAIR) Depot, Jacksonville, FL; Privatization of Olympic Airlines; V22 Osprey  Naval Aviation (NAVAIR) Depot, San Diego, CA. These reports document some of the best sustainment practice findings. The goal is to identify the knowledge that exists at these MRO providers, wherever those best practices may reside. By cataloging and documenting the linkages to where these best sustainment practices reside, the author hopes that the sustainability community can learn from others’ attempts and to avoid costly and time-consuming duplication of lessons learned.

Lydia Moland, Arts and Humanities.
Patriotism as Political Concern.
A fundamental question facing the European Union is whether its citizens can develop patriotic feelings towards Europe in place of loyalty to their original countries. The violent history of the 20th century, however, makes it unclear whether European patriotism is even desirable. Constitutional patriotism, defined as loyalty not to country but to democratic political institutions, is a theory designed to allow patriotism while avoiding these dangers. I argue, however, that patriotism within a certain country, if thought of as political concern for one’s fellow inhabitants of that country, is of ethical value. Patriotism as political concern develops characteristics such as self-sacrifice while retaining the emotional motivation that constitutional patriotism, as an intellectual exercise, lacks. Patriotism as political concern within one’s country, I then argue, should continue to be cultivated in the European Union.

Dessislava Pachamanova, Mathematics and Science.
Constructing Risk Measures from Uncertainty Sets.
We propose a unified theory that links uncertainty sets in robust optimization to risk measures in portfolio optimization. We illustrate the correspondence between uncertainty sets and some popular risk measures in finance, and show how robust optimization can be used to generalize the concepts of these measures. We also show that by using properly defined uncertainty sets in robust optimization models, one can in fact construct coherent risk measures. Our approach to creating coherent risk measures is easy to apply in practice, and computational experiments suggest that it may lead to superior portfolio performance. Our results have implications for efficient portfolio optimization under different measures of risk.

Dessislava Pachamanova, Mathematics and Science.
A Tractable Probabilistic Approach to Value-at-Risk Optimization.
Value-at-Risk (VaR) is the most popular and accepted risk measure in the financial and insurance industries, yet efficient optimization of VaR remains a very difficult problem. We propose an approximation method for optimizing the VaR of a portfolio based on robust optimization techniques. The method results in the optimization of a modified VaR measure, Asymmetric VaR (AVaR), that is coherent. We show that AVaR approximates the Conditional VaR of the portfolio as well. Numerical experiments with real market data indicate not only that our probabilistic approach is computationally tractable, but also that it results in better realized portfolio VaR, average portfolio return, and maximum realized portfolio loss than alternative approaches for quantile-based portfolio risk minimization. The asymmetric robust optimization methodology we describe provides a new perspective on financial risk management, and has implications for efficient portfolio optimization.

Anne Roggeveen, Marketing.
What Type of Retailer Should Offer a Price Matching Guarantee?: It Depends on the Fit Between the Retailer’s Reputational Strategy and the PMG Pricing Tactic.
How retailers position themselves serves as a basis for their reputational strategy. Two key reputational basis are service and price. This research investigates how the synergy between the retailer’s reputational strategy and the price matching guarantee (PMG) tactic impacts consumers’ pre-purchase perceptions of the retailer. Findings indicate the offering a PMG is beneficial to retailers with a strong service reputation or those with a poor price reputation. This research finds that post-purchase PMGs enhance intention to search for a lower price, and intention to ask for a refund if a lower price is found only if the retailer has a poor service reputation. Finally, this research investigates how the response of a retailer (honoring or not honoring the PMG) influences post-purchase perceptions of the retailer. Findings indicate that not honoring it hurts evaluations of retailers, regardless of the reputational basis, however, honoring it only enhances evaluations for retailers whose reputation is based on price.

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Faculty News

Laurence S. Moss, Economics, continues on as the editor-in-chief of The American Journal of Economics and Sociology. As editor, Moss presides over a major refereeing effort, corresponding with all the contributors and prepares “editor’s introductions” to give focus for each issue and occasional book
notes. The AJES, now starting its 65th year as a quarterly with a special supplement (book) continues to publish articles from a variety of disciplines in the social sciences. It is a genuinely multidisciplinary journal of the first of this variety to be invited to join the JSTOR archival service—the scanning begins this spring semester and research can search the back issues by the end of 2006.

In addition to his chores as a journal editor and full-time professor, Moss finds time to attend conferences and publish articles. He reports a bountiful harvest of publications and related research that is evidence of the great variety of his research interests. What follows is a short précis of several of Moss’s 2005 publications.

The famed American economist, Henry George, did not like land speculators in the least and carefully analyzed their business activities with an eye toward radical reform. According to Moss, the savvy student of entrepreneurship can turn Henry George on his head and extract valuable insights about real estate speculation and the positive role it often plays in economic development. He makes that case in “The Henry George Theorem and the Entrepreneurial Process: Turning Henry George on his Head.” In John Laurent, ed. 2005 Henry George’s Legacy in Economic Thought. Cheltenham, U. K. Edward Elgar Publisher, pp. 148-173.

Moss is known for his contributions to the history of economic thought and two of his historical papers this year are, “Richard A. Musgrave and Ludwig von Mises: Two Cases Of Émigré Economists in America.” Journal of the History of Economic Thought 27 (December 2005): 443-450 and “Playing Fast and Loose with the Facts about the Writings of Malthus and the Classical School.” History of Political Economy 37 (Summer 2005): 211-218. Both articles deal with themes in 20th century economics. The first deals with the transmission of knowledge. The persecution of European intellectuals led to their emigration to America. It is claimed that Europe’s loss was America’s gain. Moss offers a much qualified defense of this claim in two important cases in the field of economics. The second article deals with the simplistic manner in which Malthus’s teachings are presented in the leading post-war college texts and offers a plea for a renewed appreciation of Malthus’s understanding about the role technological change can play in forestalling the problem of overpopulation.

Some research originates from the classroom experience. After many years of teaching the rather unique economics course, “Scams and Frauds in Business Class” (ECN 3631) at Babson, Moss has decided to share his insights and has now started a series of articles on this subject. The first survey piece is entitled “Price Theory and the Study of Deception in the Exchange Process” and this was published in Caroline Gerschalger, ed. 2005. Deception in Markets an Economic Analysis. New York: Palgrave Macmillan. Pp. 173-202.

One important offshoot of his work on the AJES, is Moss’s work as the series editor of a collection of works on the theme of “Studies in Economic Reform and Social Justice.” The sixth book in the series to appear this year was one by Philip Day, Land: The Elusive Quest for Social Justice, Taxation Reform and a Sustainable Planetary Environment, Malden, MA ad Oxford, England: Blackwell Publishers, pp. ix-x. Moss prepared the “Foreward” to this work as well as secured the rights to the book and managed the final editing.

We would like to share your ‘research news’ with the Babson community in future newsletters. Please forward the details about recent research activities to the Babson Faculty Research Fund office, Babson 204, or to chern@babson.edu. Thank you for your help.

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EXTERNAL FUNDING INFORMATION

Update from the Corporate, Foundation, and Government Relations Office (CFGR)

Wendy Silverman, Director, CFGR
Grant writing is at an all time high among Babson faculty. Currently there are four proposals that have been submitted to granting agencies by faculty members and administrators which are awaiting decisions. The total amount of these requests is nearly $600,000. In addition more than $400,000 in grant funding has been received during the current fiscal year. Over the past three months six faculty members and two administrators have contacted the office of Corporate, Foundation & Government Relations in order to obtain information about preparing and submitting proposals to support research and curricular projects. We look forward to a busy spring!

Services Provided

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.

Of course, not all of our proposals are funded. However, if you never apply, you never get funded. 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.

PUBLISHING OPPORTUNITIES

Are you trying to figure out where to submit a research article?

The Board of Research has provided funding for Cabell’s Directories online and teamed with the library to provide access off and on campus. Log in by to the Library’s Electronic Resources A to Z list or to our Cabell’s web page.

Cabell’s provides lists of research journals by general topic area and for each journal provides submission guidelines, review policies, circulation and other information. Research journals in Accounting, Economics & Finance, Management, Marketing, Education and Psychology and many subtopics are included.

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