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B-School Research Tackles the Big Questions

Business school faculty members have been churning out research on green initiatives, terrorism, and happiness

By Francesca Di Meglio

It's easily forgotten, but business school professors do more than teach. A main responsibility—and a prime dimension in which they're judged by tenure committees—is "knowledge creation," or research. Each year the faculties of top B-schools publish hundreds of papers in academic journals that push the boundaries of what is known. They range from the obscure to the wonky to the accessible. What follows is a roundup of a few recent noteworthy papers.

The Market Impact of Being Green

Being green does not necessarily lead to higher market valuations for corporations. In recent years, tree-hugging MBAs have become common fixtures on business school campuses. Companies have begun trying to help the environment with everything from philanthropy that supports green organizations to efforts at reducing their carbon footprints. Curious to know whether these corporate efforts were actually worth it, Ravi Subramanian and Vinod Singhal, operations management professors at Georgia Institute of Technology's College of Management (Georgia Tech Full-Time MBA Profile), analyzed nearly 900 corporate announcements that appeared in, among other places, *The Wall Street Journal* and *Washington Post*, and then looked at the stock market's reaction to them.

The researchers broke the initiatives into seven categories and found that only two categories caused a specific reaction in the market, while the rest were neutral. Philanthropic acts, such as one company's announcement that it would provide $2 million in grants for K-12 teachers in California to teach energy conservation, brought an improvement in a company's stock price performance, whereas a pledge to reduce carbon emissions had a negative effect. By its nature, says Subramanian, philanthropy comes with a fixed price, whereas a reduction in emissions could cost anything—and therefore causes uncertainty.

Be smart about green efforts, Singhal says to companies. "A lot of corporate initiatives are neutral in the market," he adds. "If it doesn't cost a lot and is neutral, then why not do it?" Next, the pair will look at whether corporate efforts to reduce toxic waste have a market impact.

Businesses That Thrive Amid Terrorism

Humans have a way of overcoming adversity. When under attack, they're often motivated to improve their situation, says Oana Branzei, assistant professor of strategy at University of Western Ontario's Ivey School of Business (Ivey Full-Time MBA Profile). She recently studied urban slums in Bangladesh and observed four types of naturally occurring settings—ones with no conflict, those in which terrorism broke out suddenly, those where terrorism tended to increase, and others in which terrorism was a constant threat, but was reduced.

In settings where terrorism remained a part of life's fabric but somewhat decreased, small businesses thrived most. People facing such dire circumstances are motivated by a need for employment, resources, and new goals on which to focus, says Branzei, who adds that in places where terrorism keeps worsening, it's hard to create enduring businesses. "They need to be able to imagine a better future for themselves and their families," she says. "A slight reduction in terrorism initiates hope."

Hoping to study the aftermath of other crises, such as the uprisings in Egypt and Libya, Branzei says she wants the world to recognize the merit and potential of marginalized entrepreneurs, who have mostly been ignored. "When people lose everything, what's most important is providing for their families and keeping their communities together," says Branzei. "Enterprise can be a beautiful setting where hope flourishes."

Surfing Safaris Boost Productivity

Who hasn't checked out of work mentally to scrutinize a bid on eBay (EBAY), forward a joke to mom, or play a round of solitaire? The Internet is a major temptation at work, prompting some companies to oversee employee Web surfing and penalize anyone who occasionally looks at nonbusiness-related sites on company time. Marco Piovesan, a post-doctoral research fellow at Harvard Business School (Harvard Full-Time MBA Profile), wanted to find out if those restrictions can make matters worse. He learned that they do.

Piovesan had a group of students aged 20 to 25 complete a counting task, then resist the temptation to click on a blinking red light to watch a funny movie. Afterward, they completed another counting task. Another group of students the same age did everything in the same order, but those participants were allowed to watch the movie. The group resisting temptation was three times more likely to make a mistake in the counting task than were those who saw the film.

People are more productive and less distracted when they do not have to resist a temptation such as the Internet offers, according to the research. "[I] suggest that companies either remove the temptation or have breaks during the day, when employees can surf the Web, check e-mail, and relax a bit," says Piovesan. In his next project, Piovesan hopes to observe children to see how a single temptation can influence the group dynamic.

Trust Your Ears in a Conference Call

Listening closely to a company's chief executive officer or chief financial officer can be like looking into a crystal ball, says William Mayew, associate professor of accounting at Duke University's Fuqua School of Business (Fuqua Full-Time MBA Profile). He and fellow Fuqua professor Mohan Venkatachalam analyzed the vocal intonations of CEOs and CFOs on 1,647 earnings conference calls for 691 companies in 2007, using digital technology to determine whether an executive's tone was positive or negative. They examined ensuing earnings, stock price movements, and analyst recommendations to see what impact these voices had on the company.

If the executives displayed excitement in their voices, the stock market responded favorably. If they sounded negative—even if they were trying to put a positive spin on something—the market sensed bad news and responded in kind.

The lesson for CEOs and CFOs is that there's no hiding what's going on; your voice can give you away. Everyone else, says Mayew, should take advantage of all the video and audio now available and factor their findings into decision making. "Auditors are told to listen to conference calls now, but they're never told what to listen for," he adds. "This research can help."

Money Does Buy Happiness

Money might not buy love, but satisfaction is another story. Betsey Stevenson and Justin Wolfers, professors at the University of Pennsylvania's Wharton School (Wharton Full-Time MBA Profile), found in research they conducted with doctoral student Daniel W. Sacks that richer individuals in a given country are more content with their lives than are poorer people. In addition, average life satisfaction is higher in places where the gross domestic product is greater per capita, according to the research paper.

To draw these conclusions, the researchers collected as many multinational studies on well-being as they could find and then cross-referenced them with statistics on economic development. The data covers 40 years, 155 countries, and hundreds of thousands of people, according to an article in Wharton's online publication, Knowledge @ Wharton. The main conclusion, Wolfers says in the article, is that there's a "robust relationship between well-being and economic development."

The pursuit of happiness is a timeless topic of discussion in the U.S.—and it's becoming ever-more important to general public-policy debates in other parts of the world, too, writes Wolfers in an e-mail. "Talking about 'happiness' resonates more deeply with the general public—and increasingly with policymakers, too—than our more abstract discussions of welfare, utility, or GDP," he writes. "And so the happiness debate is an increasingly important discussion, and one that economists need to be a part of."

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