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Michael F. Gorman,

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Michael F. Gorman
School of Business Administration, University of Dayton, Dayton, Ohio 45469, michael.gorman@udayton.edu

Idea Generation and the Quality of the Best Idea (p. 591)
Karan Girotra, Christian Terwiesch, Karl T. Ulrich

Brainstorming—problem solving in a free-form, group setting—is widely recognized as a valuable way to generate creative, breakthrough ideas for evaluation. However, the inclusion of ill-prepared members of a brainstorming session can result in lower-quality alternatives and therefore lower-valued outcomes. Also, it is possible for members of a group to free-ride—to contribute less to the process by relying on others' efforts. Drs. Girotra, Terwiesch, and Ulrich evaluate whether the group structure, or an alternative "hybrid" approach in which individuals first work independently and then work together, is more effective. Unlike prior researchers, they define the performance of a group as the quality of the best ideas identified, not the average quality of ideas or the number of ideas generated. They suggest that the best ideas result from (1) a high average quality of ideas generated, (2) a high number of ideas generated, (3) high variance in the quality of ideas generated, and (4) the ability of the group to discern the quality of the ideas. Through experimentation, they find that groups organized in the hybrid structure are able to generate more ideas, to generate better and more varied ideas, and to better discern the quality of the ideas that they generate. Interestingly, they find that the frequently recommended brainstorming technique of building on others' ideas is counterproductive; teams exhibiting such buildup do not create more ideas, nor are the ideas that build on previous ideas better. The insight for management: Mangers should not count on the "brainstorming process" to deliver sought-after breakthrough ideas; idea quantity and quality can be improved through a hybrid structure.

Prior Consequences and Subsequent Risk Taking: New Field Evidence from the Taiwan Futures Exchange (p. 606)
Yu-Jane Liu, Chih-Ling Tsai, Ming-Chun Wang, Ning Zhu

In Las Vegas, gamblers often site "hot streaks" and "cold streaks" and lose sight of (or even deny) the independence of each bet. Do professional traders in stock exchanges exhibit the same behavior, taking bigger risks when they "are on a roll"? Drs. Liu, Tsai, Wang, and Zhu suggest that this is the case. In particular, they show that investors in the Taiwan Stock Exchange take above-average risks in afternoon trading after morning gains. They suggest that this finding is quite broad across different market makers' accounts and market participants. This insight is important because psychological factors seem to affect traders' views of the likelihood of success of otherwise independent trading decisions. The insight for management: Don't let prior outcomes from independent events unduly influence current decisions; hubris from early gains might result in unnecessary risk taking and subsequent loss.

Reference Groups and Product Line Decisions: An Experimental Investigation of Limited Editions and Product Proliferation (p. 621)
Wilfred Amaldoss, Sanjay Jain

Louis Vuitton offers limited editions of their products and focuses on upper-echelon consumers whom the masses want to emulate (dubbed reference groups). In contrast, Giorgio Armani markets multiple product lines to reach multiple market segments—the reference group and the mass market. Therein poses a dilemma for firms: A firm needs to sell its products to the elite to stimulate demand among the masses, but potential sales to the masses can deter the elite from even buying the product in the first place. Drs. Amaldoss and Jain examine in a laboratory setting how reference groups affect the product line decisions of firms. They show that, in the presence of strong reference group effects, limited editions and multiple products can help improve firms' profits. The insight for management: To develop successful product lines you must know not only your market segments but also their interactions.

Discretionary Disclosure of Proprietary Information in a Multisegment Firm (p. 645)
Anil Arya, Hans Frimor, Brian Mittendorf

Apple's management refuses to disclose the profit figures on the iPod, which suggests that such information would aid its competitors. Yet game theory researchers have identified a strong temptation to disclose profit figures, or that discretionary reporting results in "unraveling" (the sharing of such information in equilibrium). This temptation arises because, theoretically, if the firm's profit is low (i.e., its cost is high), it is likely to disclose this fact to encourage its rival to soften competition by setting a high retail price. As a consequence, silence on the firm's part speaks volumes in that it reveals that realized firm profit is likely to be high. The net result is that full revelation of private information is the only equilibrium outcome. Drs. Arya, Frimor, and Mittendorf reconcile this theoretical result with observed reality by evaluating multiproduct firms. They demonstrate that, in the presence of multiple markets, the unraveling result applies at the firmwide level but not necessarily at the product market level. They show that firms might fall prey to the temptation to disclose information, but only in the aggregate.

The Small Firm Effect and the Entrepreneurial Spawning of Scientists and Engineers (p. 659)
Daniel W. Elfenbein, Barton H. Hamilton, Todd R. Zenger

It is well known that scientists and engineers in small firms are far more likely than their large firm counterparts to strike out on their own. Drs. Elfenbein, Hamilton, and Zenger explore the causes of this "small firm effect." They find four explanations: (1) Small firms attract those with prior preferences for autonomy who are similarly drawn into entrepreneurship. (2) Those with high ability and aptitude might be more likely to join small firms because the skills required for success in small firms are also valuable in entrepreneurship. (3) Small firm experience might give such employees "big picture" skills that allow workers in small firms to develop entrepreneurial human capital that makes them better entrepreneurs. (4) To a lesser degree, those in small firms might have less to lose, so the opportunity cost of becoming entrepreneurial is lower. The insight for management: Though small companies might benefit from attracting entrepreneurial high performers, they should be aware of the risk of losing their best and brightest to their own entrepreneurial ventures.

Information-Based Stock Trading, Executive Incentives, and the Principal-Agent Problem (p. 682)
Qiang Kang, Qiao Liu

How should CEO compensation packages be structured? Drs. Kang and Liu examine the role of stock trading by those with extensive information (e.g., a CEO) in affecting the risk–incentive relation. They show that a greater risk level increases the level of the CEO's trading, which consequently enhances executive incentives and offsets the negative risk–incentive relation. The authors find that the economic magnitude of this incentive-enhancement effect is significant. Their empirical test using real-world executive compensation data lends strong support to the model. The insight for management: Boards of directors should consider underlying stock trading characteristics when structuring executive compensation packages to create appropriate CEO incentives.

The Analytic Hierarchy Process and the Theory of Measurement (p. 699)
Michele Bernasconi, Christine Choirat, Raffaello Seri

How does one choose a house, or a car, or a software vendor? There are numerous criteria in each decision that might be considered, each given an appropriate weight. The analytic hierarchy process (AHP) is a decision-making procedure widely used in management for establishing priorities in multicriteria decision problems such as the ones posed above. Although it is widely used, the AHP has also been widely criticized; for example, subjective weightings can be inconsistent. Drs. Bernasconi, Choirat, and Seri provide various theoretical and empirical results on the extent to which the AHP can be considered a reliable decision-making procedure in terms of the modern theory of subjective measurement. Their experiments show that AHP is relatively robust with respect to distortions that result from subjective measurements. The insight for management: The AHP is a valuable and applicable method to support decision making, but care should be taken to carefully specify the weighting factors for each criterion being considered.

A General Index of Absolute Risk Attitude (p. 712)
Michel M. Denuit, Louis Eeckhoudt

Economic theory of the consumer rests on the bedrock assumption of utility maximization. However, the utility of an option may be diminished by uncertainty; a risk-averse consumer may choose an option of lower expected monetary value if it is of lower risk. The modeling of risk aversion is important to economic theory; many results involving expected utility theory call upon the notions of absolute risk aversion, prudence, and temperance. Drs. Denuit and Eeckhoudt exploit a 60-year-old approach developed by well-known economists Milton Friedman and Leonard J. Savage to describe the effects of risk aversion, prudence, and temperance and give a general foundation for such coefficients and for their higher-order extensions.

Empirical Analysis of Ambulance Travel Times: The Case of Calgary Emergency Medical Services (p. 716)
Susan Budge, Armann Ingolfsson, Dawit Zerom

Emergency response times for ambulances, fire trucks, police, etc., are measured in two ways: speed and reliability of arrival. Drs. Budge, Ingolfsson, and Zerom evaluate response time prediction using administrative data for high-priority calls in Calgary, Alberta. Of course, distance to be traveled is a major contributor to service times. Interestingly, they find that the coefficient of variation falls as the distance traveled grows. They also demonstrate that a previously proposed model for mean fire engine travel times is a valid and useful description of median ambulance travel times. The insight for management: Travel-time distribution models can be used to create probability-of-coverage maps for diagnosis and improvement of system performance for emergency services.

Enhancing the Motivational Affordance of Information Systems: The Effects of Real-Time Performance Feedback and Goal Setting in Group Collaboration Environments (p. 724)
J. H. Jung, Christoph Schneider, Joseph Valacich

Real-time performance feedback and goal setting can enhance performance in the workplace. However, increasing globalization has made giving such feedback challenging; consequently, a broad range of information technologies has been developed to support the collaboration of diverse and distributed workplace participants. Drs. Jung, Schneider, and Valacich argue that the motivation of individuals in far-flung organizations to do their best could be significantly influenced by the design of a system's human–computer interface. They manipulate the interface of a computer-mediated idea generation system (a widely used collaboration tool) to enhance the system's ability to increase each individual's motivation within a collective setting. Results from two studies demonstrate that, by embedding "providing feedback" and "designing for optimal challenge" into the collaboration environment, significant performance gains were realized. The insight for management: Even slight manipulations of the human–computer interface can contribute significantly to the successful design and motivational effect of a wide variety of group collaboration environments.