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Management Insights

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The Asset-Pricing Implications of Government Economic Policy Uncertainty (p. 3)

[Jonathan Brogaard](#), [Andrew Detzel](#)

How does economic policy uncertainty (EPU) in the United States affect market returns? Using a defined measure of policy uncertainty, the authors find that EPU positively forecasts log excess market returns. An increase of one standard deviation in EPU is associated with a 1.5% increase in forecasted three-month abnormal returns (6.1% annualized). The insight for management: EPU is an economically important risk factor for equities.

ICU Admission Control: An Empirical Study of Capacity Allocation and Its Implication for Patient Outcomes (p. 19)

[Song-Hee Kim](#), [Carri W. Chan](#), [Marcelo Olivares](#), [Gabriel Escobar](#)

How does the process of admission to a hospital's intensive care unit (ICU) affect hospital efficiency? It is difficult to evaluate the performance of patient admissions because ICUs currently lack systematic admission criteria. The authors use a large patient-level data set of more than 190,000 hospitalizations across 15 hospitals to quantify the cost of denied ICU admission for a number of patient outcomes. The insight for management: Hospitals could save approximately \$1.9 million per year by using an optimal policy based on observables designed to reduce readmissions and hospital length of stay, and that amount could triple if unobservable factors were included in the admission policy.

Waiting Patiently: An Empirical Study of Queue Abandonment in an Emergency Department (p. 39)

[Robert J. Batt](#), [Christian Terwiesch](#)

How long, or how many: What causes people to give up on waiting for service? The authors show that abandonment is influenced by the number of people in line and the number of people who arrive, which should be inconsequential relative to the actual wait time. For example, observing an additional person

in the queue leads to an increase in abandonment probability equivalent to an additional 25-minute wait. An additional arrival to the queue leads to an increase in abandonment probability equivalent to a 5-minute increase in wait time. This increase in abandonment is in addition to any actual increase in wait time that may result from such occurrences. The authors also show that patients are sensitive to being "jumped" in the line but that they react differently to people more sick and less sick moving through the system. The insight for management: Visual queue information can be misleading; there is an opportunity to provide information to waiting customers to obviate unwarranted abandonments.

Remanufacturing, Third-Party Competition, and Consumers' Perceived Value of New Products (p. 60)

[Vishal V. Agrawal](#), [Atalay Atas](#), [Koert van Ittersum](#)

How does the presence of remanufactured products influence the perceived value of new products? The authors show that the presence of products remanufactured and sold by the original equipment manufacturer (OEM) can reduce the perceived value of new products by up to 8%. However, the presence of third-party remanufactured products can increase the perceived value of new products by up to 7%. The insight for management: Deterring third-party competition via preemptive remanufacturing may reduce profits, while the presence of third-party competition may actually be beneficial for an OEM.

A Logarithmic Safety Staffing Rule for Contact Centers with Call Blending (p. 73)

[Guodong Pang](#), [Ohad Perry](#)

How should optimal staffing be determined in a blended (both inbound and outbound) contact center? Inbound work arrives to the system randomly, whereas outbound work is scheduled by the contact center. The authors note that the uncontrollable inbound calls are prioritized over the outbound calls, which can be used to keep staff busy as inbound calls wane. They propose a scheduling approach that ensures that

agents' utilization is very close to 100% at all times but that there are practically always idle agents present to field inbound calls. The insight for management: It is possible to have almost all inbound calls answered immediately upon their arrival, in addition to satisfying a target long-run throughput rate of outbound calls, with at most a negligible proportion of those calls dropped.

Intertemporal Price Discrimination: Structure and Computation of Optimal Policies (p. 92)

[Omar Besbes](#), [Ilan Lobel](#)

What is the optimal pricing strategy over time? The firm's objective is to maximize its long-term average revenue given a steady arrival of customers. Customers arrive over time and are strategic in timing their purchases to get the most advantageous price. Customers differ along two dimensions: Their valuation for the firm's product and their willingness to wait before purchasing or leaving. The authors find that cyclic pricing policies where the cycle is at most twice the maximum willingness to wait of the customer population are advantageous. The insight for management: Optimal pricing policies are where the firm offers partial discounts throughout each cycle, offers a significant discount halfway through the cycle, and offers the largest discount at the end of the cycle.

Decision Making Under Uncertainty When Preference Information Is Incomplete (p. 111)

[Benjamin Armbruster](#), [Erick Delage](#)

How can we characterize optimal decision making under uncertainty when the decision maker's utility function is not completely known? One may only know that the decision maker prefers certain lotteries over other lotteries or is risk averse, S-shaped, or prudent. The authors give tractable formulations for such decision-making problems. The authors formulate them as robust utility maximization problems, as optimization problems with stochastic dominance constraints, and as robust certainty equivalent maximization problems. The insight for management: Although we may not have perfect information on decision-maker preferences, we can still make useful observations and recommendations about optimal decisions.

Corporate General Counsel and Financial Reporting Quality (p. 129)

[Justin J. Hopkins](#), [Edward L. Maydew](#),
[Mohan Venkatachalam](#)

How does general counsel (GC) affect financial reporting quality? GCs have a broad oversight role within the firm, including keeping the firm in compliance with laws and regulations and dealing with potential violations with respect to financial reporting. Several high-profile U.S. Securities and Exchange Commission

(SEC) investigations have resulted in lawsuits or indictments against GCs for perpetrating financial fraud and caused many to ask "Where were the gatekeepers?" The authors examine the conditions under which GCs may stray from their primary role as gatekeepers. They empirically investigate claims that compensation can impair the independence or compromise the professional judgment of a GC. They measure the level of compensation using the GC's presence or absence in the top five officers of the firm by compensation. GCs may stray from their role as gatekeepers when highly compensated in a manner similar to the CEO and CFO. In particular, firms with highly compensated GCs have lower financial reporting quality and more aggressive accounting practices, including management of the litigation reserve. However, their results also show that highly compensated GCs play an important gatekeeping role in keeping the firm in compliance with generally accepted accounting principles. Thus, highly compensated GCs appear to tolerate moderately aggressive behavior but constrain it such that it would not result in violation of securities laws and jeopardize their standing within the firm. The insight for management: Paying your GC too much may actually lead to lower-quality reporting and straying from standard accounting principles.

Naiveté, Projection Bias, and Habit Formation in Gym Attendance (p. 146)

[Dan Acland](#), [Matthew R. Levy](#)

Will you really use your gym membership? The authors find that subjects greatly overpredict their gym attendance. They find an attendance increase in some cases which they interpret as habit formation. These results are consistent with a model of projection bias with respect to habit formation. The insight for management: The combination of naiveté and projection bias in gym attendance can help explain limited take-up of commitment devices by dynamically inconsistent agents and points to new forms of contracts.

Shopping for Information? Diversification and the Network of Industries (p. 161)

[Fernando Anjos](#), [Cesare Fracassi](#)

How does information centrality affect corporate valuation? The authors propose and test a view of corporate diversification as a strategy that exploits internal information markets by bringing together information that is scattered across the economy. They construct an interindustry network using input-output data to proxy for the economy's information structure. Then they introduce a new measure of conglomerate informational advantage, named "excess centrality," which captures how much more central conglomerates are relative to specialized firms operating in the same industries. The insight for management: High-excess-centrality

conglomerates have greater value and produce more and better patents.

Marketplace or Reseller? (p. 184)

[Andrei Hagiu](#), [Julian Wright](#)

Marketplace or reseller? Intermediaries can choose between functioning as a marketplace (in which suppliers sell their products directly to buyers) or as a reseller (by purchasing products from suppliers and selling them to buyers). The authors evaluate whether the choice of some marketing activity is better held by suppliers (the marketplace mode) or by the intermediary (the reseller mode). They find that whether the marketplace or the reseller mode is preferred depends on whether independent suppliers or the intermediary have more important information relevant to the optimal tailoring of marketing activities for each specific product. They show that this trade-off is shifted toward the reseller mode when marketing activities create spillovers across products and when network effects lead to unfavorable expectations about supplier participation. The insight for management: If the reseller has a variable cost advantage relative to the marketplace, then the trade-off is shifted toward the marketplace for long-tail products.

Vice-Virtue Bundles (p. 204)

[Peggy J. Liu](#), [Kelly L. Haws](#), [Cait Lamberton](#),
[Troy H. Campbell](#), [Gavan J. Fitzsimons](#)

How can consumers manage choices between healthy and unhealthy food options? The authors suggest “vice-virtue bundles.” Vice-virtue bundles are item aggregates with varying proportions of both vice and virtue,

holding overall quantity constant. Their results suggest that people overall tend to prefer vice-virtue bundles with small to medium proportions of vice rather than large proportions of vice. Moreover, people generally rate vice-virtue bundles with small vice proportions as healthier but similarly tasty as bundles with larger vice proportions. The insight for management: These findings provide evidence of asymmetric effectiveness of small vice and virtue proportions at addressing taste and health goals, respectively.

Competing with Privacy (p. 229)

[Ramon Casadesus-Masanell](#), [Andres Hervás-Drane](#)

Should firms mind their own business? The authors analyze the implications of consumer privacy for competition in the marketplace. Firms compete for consumer information and derive revenues both from consumer purchases and from disclosing consumer information in a secondary market. Consumers choose which firm to patronize and how much personal information to provide it with. The authors show that firms maximize profits by focusing on a single revenue source and competing at the extensive (more customers) rather than the intensive (deeper information) margin, outperforming competitors by attracting a larger customer base. They also show that competition drives the provision of services with a low level of consumer information disclosure (high level of privacy), but higher competition intensity in the marketplace need not improve privacy when consumers exhibit low willingness to pay. The insight for management: Respect their privacy; firms do better with more customers, not more information on existing customers.