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Wisdom or Madness? Comparing Crowds with Expert Evaluation in Funding the Arts (p. 1533)
Ethan Mollick, Ramana Nanda

Is it wisdom of the crowd or madness of the mob? In fields as diverse as technology entrepreneurship and the arts, crowds of interested stakeholders are increasingly responsible for deciding which innovations to fund, a privilege that was previously reserved for a few experts, such as venture capitalists and grant-making bodies. Little is known about the degree to which the crowd differs from experts in judging which ideas to fund, and, indeed, whether the crowd is even rational in making funding decisions. The authors compare funding decisions for proposed theater projects of a panel of national experts and comprehensive data from the largest crowdfunding site. They find significant agreement between the funding decisions of crowds and experts. Where crowds and experts disagree, it is far more likely to be a case where the crowd is willing to fund projects that experts may not. Examining the outcomes of these projects, the authors find no quantitative or qualitative differences between projects funded by the crowd alone and those that were selected by both the crowd and experts. The insight for management: Crowdfunding can play an important role in complementing expert decisions, particularly in sectors where the crowds are end users; multiple evaluations from the crowd lower the incidence of "false negatives."

Screening Peers Softly: Inferring the Quality of Small Borrowers (p. 1554)
Rajkamal Iyer, Asim Ijaz Khwaja, Erzo F. P. Luttmer, Kelly Shue

How can nonexpert individuals in new online lending markets screen their peers' creditworthiness? The authors find that these peer lenders predict an individual's likelihood of defaulting on a loan with 45% greater accuracy than the borrower's exact credit score. Moreover, peer lenders achieve 87% of the predictive power of an econometrician who observes all standard financial information about borrowers. The authors suggest that screening through soft or nonstandard information is relatively more important when evaluating lower-quality borrowers. The insight for management: Aggregating over the views of peers and leveraging nonstandard information can enhance lending efficiency.

Does Regulatory Certification Affect the Information Content of Credit Ratings? (p. 1578)
Valentina Bruno, Jess Cornaggia, Kimberly J. Cornaggia

The authors test whether certification by an investor-paid rating agency's designation as a Nationally Recognized Statistical Rating Organization (NRSRO) affects the agency's information production. They use a certified issuer-paid agency as a benchmark and find robust evidence that the investor-paid agency's ratings policy, which is both timelier and more symmetric with respect to positive and negative information, persists after it became certified for regulatory compliance. The insight for management: Ratings policy is more a function of rating agency compensation structure than the NRSRO certification by the U.S. Securities and Exchange Commission.

Skewness and the Relation Between Risk and Return (p. 1598)
Panayiotis Theodossiou, Christos S. Savva

How does skewness affect the relation between risk and return? The relationship between risk and return has been one of the most important and extensively investigated issues in the financial economics literature. The theoretical results predict a positive relation between the two, but the empirical findings so far have been contradictory. The insight for management: The contradictions are the result of negative skewness in the distribution of portfolio excess return and the fact that the estimation of intertemporal asset pricing models are based on symmetric log-likelihood specifications.

Mutual Forbearance and Competition Among Security Analysts (p. 1610)
Joel A. C. Baum, Anne Bowers, Partha Mohanram

How does forecast accuracy and information leadership affect competition among security analysts? Research in industrial organization and strategic management has shown that rivals competing with each other in multiple markets are more willing to compete less aggressively, within the markets in which each firm dominates. Sell-side equity analysts typically cover multiple stocks in common with their rivals. The authors examine the impact of this "multipoint contact" for mutual forbearance on two key dimensions of competition among security analysts: forecast accuracy and information leadership such as issuing earnings forecasts or stock recommendations that influence rival analysts. When there is multipoint contact, analysts exert greater information leadership on stocks within their own spheres of influence. This behavior is especially true under Regulation Fair Disclosure (Reg FD). However, multipoint contact is not associated with greater forecast accuracy on stocks within analysts' spheres of influence in any case. The insight for management: Multipoint contact tends to result in information leadership, but does not result in more accurate forecasts.

Investing with Brain or Heart? A Field Experiment on Responsible Investment (p. 1632)
Trond Døskeland, Lars Jacob Tynes Pedersen

Do investors invest with their brains or their hearts? Socially responsible investment is increasingly prevalent in financial markets and is characterized by the integration of financial and nonfinancial objectives. The authors evaluate the influence of wealth concerns and moral concerns on individual investors' decisions to invest responsibly. The insight for management: Money talks; wealth framing is more effective than moral framing for both information search and investment behavior.

Career Prospects and Effort Incentives: Evidence from Professional Soccer (p. 1645)
Jeanine Miklós-Thal, Hannes Ullrich

How do career prospects affect effort? The authors use data from professional soccer, where employees of the same club face different external career opportunities depending on their nationality. They test whether the career prospect of being selected to a Euro Cup national team affects players' pre-cup performances, using nationals of countries that did not participate in the Euro Cup as a control group. They find that the Euro Cup career prospect has positive effects on the performances of players with intermediate chances of being selected to their national team, but negative effects on the performances of players whose selection is very probable. The insight for management: Incentive effects of within-firm promotions and of external career opportunities have direct effects on employee effort levels.

The Impact and Evolution of Group Diversity in Online Open Collaboration (p. 1668)
Yuqing Ren, Jilin Chen, John Riedl (deceased)

What is the impact of group diversity on online collaboration? Online open collaboration efforts, such as Wikipedia articles and open source software development, often involve a large crowd with diverse experiences and interests. Diversity, on the one hand, facilitates the access to and integration of a wide variety of information; on the other hand, it may cause conflict and hurt group performance. The authors examine 648 WikiProjects to understand (1) how tenure disparity and interest variety affect group productivity and member withdrawal and (2) how the two types of diversity evolve over time. Their results show a curvilinear effect of tenure disparity, which increases productivity and decreases member withdrawal, up to a point. Beyond that point, productivity slightly decreases, and members are more likely to withdraw. There is a positive effect of interest variety on productivity and no significant effects on withdrawal. Further, over a project's life cycle, tenure disparity decreases and interest variety increases, with both converging toward the level that is optimal for group performance. The insight for management: Diverse experiences and perspectives in online open collaboration and the power of self-organizing help groups evolve toward their high-performing zones.

Reputation Transferability in Online Labor Markets (p. 1687)
Marios Kokkodis, Panagiotis G. Ipeirotis

How are reputations transferred in online labor markets? Online workplaces such as oDesk, Amazon Mechanical Turk, and TaskRabbit have been growing in importance over the last few years. In such markets, employers post tasks on which remote contractors work and deliver the product of their work online. As in most online marketplaces, reputation mechanisms play a very important role in facilitating transactions, since they instill trust and are often predictive of the employer's future satisfaction. However, labor markets are usually highly heterogeneous in terms of available task categories; in such scenarios, past performance may not be an accurate signal of future performance. The authors evaluate over a million completed tasks from oDesk, an online labor market with hundreds of millions of dollars in transaction volume. The insight for management: Different reputation scores that depend on the context in which the worker has been previously evaluated and the job for which the worker is applying result in improved accuracy of up to 25%.

Blinding Us to the Obvious? The Effect of Statistical Training on the Evaluation of Evidence (p. 1707)
Blakeley B. McShane, David Gal

Does statistical training blind us to the obvious? Statistical training helps individuals analyze and interpret data. However, the academic emphasis placed on technicalities such as the "null hypothesis" and "significance testing" results in binary accept or reject evaluation of results, when in actuality statistical distributions should lead to more qualitative or measured evaluation. Surveys of researchers across a wide variety of fields (including medicine, epidemiology, cognitive science, psychology, business, and economics) show that a substantial majority of researchers focus on accept or reject in a similar way. The insight for management: Researchers' dichotomous interpretations of descriptions of evidence and in their likelihood judgments affect interpretation of data.

To Commit or Not to Commit: Revisiting Quantity vs. Price Competition in a Differentiated Industry (p. 1719)
Sherif Nasser, Danko Turcic

To commit or not commit; how do firms make quantity and price decisions in differentiated industries? The authors find that when firms have a choice, asymmetric outcomes can arise, with some firms choosing to commit to a quantity and other firms choosing not to. In a game theoretic setting, the authors find that if product differentiation is sufficiently low, firms choose to commit to a quantity in equilibrium. This symmetric equilibrium allows both firms to avoid the intense price competition associated with low product differentiation. If the level of differentiation is sufficiently high, the equilibrium in quantity commitment is asymmetric such that one firm chooses to commit and its competitor chooses not to commit. The insight for management: The level of product differentiation in a market affects the ability of competitors to limit quantity and avoid intense price competition.

Contract Preferences and Performance for the Loss-Averse Supplier: Buyback vs. Revenue Sharing (p. 1734)
Yinghao Zhang, Karen Donohue, Tony Haitao Cui

What are the performance implications for buyback and revenue-sharing agreements? Though theory claims that buyback and revenue-sharing contracts achieve equivalent channel-coordinating solutions, the sequence and magnitude of costs and revenues can vary significantly between the contracts, suggesting the supplier's preference of contract type may vary with the level of loss aversion. The authors investigate whether human suppliers are indeed indifferent between these two contracts. They find that a buyback contract is preferred for products with low margin percentages, whereas revenue sharing is preferred for those with high margin percentages. These results are consistent with loss aversion and are more significant for subjects who exhibit higher loss aversion. The authors also examine differences in the performance of buyback and revenue-sharing contracts when suppliers have the authority to set contract parameters. Revenue-sharing contracts are more profitable for the supplier than buyback contracts in a high critical ratio environment when accounting for the supplier's parameter-specification behavior. There is little difference in performance between the two contracts in a low critical ratio environment. The insight for management: The decision of buyback or revenue-sharing contract depends directly on product profitability and the level of risk aversion.

Systematic Risk in Supply Chain Networks (p. 1755)
Nikolay Osadchiy, Vishal Gaur, Sridhar Seshadri

Do the correlated demand shocks in the economy create systematic supply chain risk? Industrial production output is generally correlated with the state of the economy. Nonetheless, during times of economic downturn, some industries take the biggest hit, whereas at times of economic boom they reap most benefits. The authors map supply networks of industries and firms and investigate how the supply network structure mediates the effect of economy on industry or firm sales. Since retailers source their products from other industries, the sales of their suppliers can also be correlated with the state of the economy. This correlation represents the source of systematic risk for an industry that propagates through a supply chain network. The authors find that propagation of systematic risk into production decisions does not amplify the correlation; however, aggregation of orders from multiple customers in a supply chain network and aggregation of orders over time intensify correlation and result in the amplification of correlation upstream in supply networks. The insight for management: Correlated shocks in the economy have implications for the cost of capital, for the risk-adjusted valuation of supply chain improvement projects, and for supplier selection and risk.

Optimizing Product Launches in the Presence of Strategic Consumers (p. 1778)
Ilan Lobel, Jigar Patel, Gustavo Vulcano, Jiawei Zhang

How should companies release new generations of products when customers strategize about upgrading? A technology firm launches newer generations of a given product over time. At any moment, the firm decides whether to release a new version of the product that captures the current technology level at the expense of a fixed launch cost. Consumers are forward-looking and purchase newer models only when it maximizes their own wellbeing over time. The authors consider a "no-commitment" situation in which the firm does not announce future release technologies, and result regular improvements in technology, and another in which the firm is able to commit to a schedule of technology releases but alternate minor and major technology launch cycles. The insight for management: The difference in profits between the commitment and no-commitment scenarios can be significant, varying from 4% to 12%.

Inventory Pooling Under Heavy-Tailed Demand (p. 1800)
Kostas Bimpikis, Mihalis G. Markakis

Inventory pooling, from strategies such as transshipment, manufacturing flexibility, component commonality, and drop shipping, reduces the risk of stockout by aggregating demand which reduces variation. How is this risk reduction affected by highly variable, heavy-tailed demand? A famed result, i.e., that the expected cost savings from centralized inventory management scale with the square root of the number of locations, depends critically on the "light-tailed" nature of the demand uncertainty. The insight for management: The authors establish that the benefit from pooling relative to the decentralized case, in terms of both expected cost and safety stock, is equal to $n^{(\alpha-1)/\alpha}$ for a class of heavy-tailed demand distributions.

Personal Preferences, Entrepreneurs' Location Choices, and Firm Performance (p. 1814)
Elena Kulchina

How do personal preferences of entrepreneurs affect location choice and performance? Clearly, economic factors are important for location choices, but personal reasons may be another factor. Because the places where entrepreneurs want to live are often the places where they will likely do well, it is difficult to empirically separate the two mechanisms. The author focuses on entrepreneurs founding firms abroad, allowing the author to more effectively isolate the effect of personal location attractiveness. The author finds that entrepreneurs who view a host country as an attractive location are more likely to relocate and manage their firms personally. However, such entrepreneur-managers have lower firm performance. The insight for management: Entrepreneurs are more likely to reside in personally attractive places and are willing to substitute benefits of living there for some firm profit.

Provisioning of Large-Scale Systems: The Interplay Between Network Effects and Strategic Behavior in the User Base (p. 1830)
Jayakrishnan Nair, Adam Wierman, Bert Zwart

How much computing capacity should companies such as Google and Facebook make available for its users? It is extremely hard to predict demand, and users are highly delay sensitive. Yet, the service provider consumes capacity with advertising, which affects service and capacity requirements. The authors consider the problem of capacity provisioning for such online services supported by advertising. They analyze the strategic interaction between the service provider and the user base in this setting, modeling positive network effects, as well as congestion sensitivity in the user base. The insight for management: Stronger positive network effects, as well as noncooperation in the user base, drive the service into a more congested state and lead to increased profit for the service provider; however, the impact of noncooperation or "anarchy" in the user base strongly dominates the impact of network effects.