Business Research in Action

Mays Business School, Texas A&M University

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WHAT'S INSIDE

Top marketing expert balances research, academic outreach

Venkatesh "Venky" Shankar is on a Top 10 list every academician dreams of – he has been recognized as one of the Top 10 experts worldwide on innovation management. He didn't start out being an advocate of marketing, but now he has found his niche in the worlds of marketing and academics.

At Mays Business School, he is the Coleman Chair Professor in Marketing and director of research for the Center for Retailing Studies. He was director of the marketing PhD Program from 2006 to 2012.

Shankar received his PhD in marketing from Kellogg Graduate School of Management, Northwestern University. However, his undergraduate studies focused on engineering. "Originally, I saw marketing as a way to advertise things. I thought of Super Bowl commercials, glitzy and glamorous campaigns selling insurance and whatnot, and used car salespeople," he said. "Once I got in an MBA program to get into management, I realized the two main reasons companies exist are innovations and customers. Then I came to know what marketing really is: It's about how we continuously create, communicate and deliver customer value through offerings, brands and channels. Then it came to mean something to me."

Shankar's areas of specialization include digital business, marketing strategy, innovation, retailing, international marketing, pricing, branding and mobile marketing. He has corporate experience in the areas of marketing and international business development in diverse countries.

Shankar spent two years in Hong Kong working with a bank, then he worked in the corporate environment. He quickly learned he preferred the marketing world. "In the corporate world, you can't answer your own questions, you answer your boss' questions," he explained. "In marketing, you ask the questions, answer them and have fun with them."

Shankar discovered his niche in the academic world, which his brother, then a finance professor, encouraged him to consider. "I had no idea what research would look like, but my eyes got opened to research," he said. "I got to learn about methodologies. I found I really enjoyed it."

He said he asked questions of everyone he encountered. "I was working on 10 to 12 projects at a time. That's how my passion got kindled," he recalled. "I was surrounded by good researchers who enrich your thinking and motivate you to look at things in a different way, a more rigorous way. They keep kicking it back, demanding it be real, relevant and bankable. It was a time of great learning."

Shankar has supervised 11 doctoral students, something he enjoys immensely. "My first at Mays, Tarun Kushwaha, got a job at UNC Chapel Hill, and the most gratifying day for me was when he got tenure last year." He said he feels fortunate to blend research and teaching, and that he roots all of his research in real problems. He often hears from former students, even students he meets during one-day sessions. "I wake up every morning eager to work, to make a difference," he said. "It's a noble profession. Not only am I teaching that one person, but it will also help the people they encounter."

Mark B. Houston, the marketing department head and Blue Bell Creameries Chair in Business, said he admires Shankar's passion for helping his PhD students get jobs at their target universities. "You can see that passion in how hard he works with them during the years of the PhD program on real research projects that are publishable in top-tier journals," Houston said. "This is critical, because PhD candidates will not even get interviews with Doctoral Research Universities without papers that are published, or at least at advanced rounds of review, at top journals."

Beyond helping his students prepare academically, Houston says Shankar pours enormous effort into personally reaching out to his extensive professional network at universities around the country to lobby for his students. "When a target school publicizes an opening, Venky is constantly on the phone, sending e-mails, talking to people at conferences, convincing them of the wisdom of interviewing his students," Houston said. "His persistence almost always pays off – it is kind of like the old science fiction line, 'Resistance is futile!' I know a lot of really dedicated PhD advisors at a lot of universities, but I know no one who works harder at this than Venky Shankar."

Shankar is also "a star in the classroom at all levels of programs," Houston said, but particularly with the Executive MBAs. "He is smart, well-prepared, incredibly energetic, and thinks well on his feet – all attributes that lead to an engaging EMBA professor. His formal ratings and the informal feedback that I see from these students speak to his effectiveness. He changes the way that executives think about marketing."

With that, Shankar's path comes full circle from the days when his own opinion of marketing was changed.

VENKATESH SHANKAR

Shankar has consulting or executive training experience with organizations such as Allstate, Cap Gemini Ernst & Young, Colgate Palmolive, GlaxoSmithKline, Halliburton, Hewlett Packard, HSBC, IBM, Intel, Lockheed Martin, Lucent Technologies, Marriott International, Medtronic, Northrop Grumman, PepsiCo, Philips, and Volvo. He has made several appearances on CNN, C-SPAN, and Voice of America. He has been on many advisory boards and has served as an expert witness in legal cases.

ACCOLADES

- One of the World's Most Influential Scientific Minds in the 21st Century
- 2013-2014 Retailing Lifetime Achievement Award
- 2013 Indian Institute of Management, Calcutta (IIMC) Distinguished Alumnus Award
- 2012 Vijay Mahajan Award for Lifetime Contributions to Marketing Strategy Research
- 2014 J. B. Steenkamp Long-term Impact Award from International Journal of Research in Marketing
- 2006 Robert Clarke Award for the Outstanding Direct and Interactive Marketing Educator
- 2001 IBM Faculty Partnership Award
- 1999 Paul Green Award for the Best Article in Journal of Marketing Research
- 2000 Don Lehmann Award for the Best Dissertation-based Article in an AMA journal
- Sheth Award for the best paper in the Journal of Academy of Marketing Science.

PUBLICATIONS

Shankar has published in a range of academic journals, including the *Journal of Marketing Research, Management Science, Marketing Science, Strategic Management Journal, Journal of Marketing, Journal of Public Policy and Marketing, Journal of Retailing, Harvard Business Review*, and *Sloan Management Review*, and in business periodicals such as *Wall Street Journal* and *Financial Times.*

SERVICE TO THE ACADEMY AND MARKETING INDUSTRY

Shankar is ex-President of the Marketing Strategy SIG, AMA and serves on the Chief Marketing Officers (CMO) council and Business-to-Business (B2B) Leadership Board. He was a Faculty Fellow of the 1999, 2000, 2003, 2004, 2005, 2007, 2008, 2009, 2010, 2012, 2013, and 2014 Doctoral Consortia, and the 2001 e-Commerce Consortium of the AMA. He is Editor Emeritus of the Journal of Interactive Marketing and ex-Academic Trustee of the MSI. He is also an Associate Editor of Journal of Marketing Research and an ex-associate editor of Management Science. He is on the editorial boards of Journal of Marketing, Marketing Science, the International Journal of Research in Marketing, and Journal of Retailing. He is co-editor of the Handbook of Marketing Strategy and the author of Shopper Marketing.

Shankar has been a keynote speaker in several conferences and has delivered over 250 presentations in diverse countries. He is a three-time winner of the Krowe Award for Teaching and has taught Marketing Management, Digital Business Strategy, Marketing Strategy, Marketing Research, and International Marketing. He was a visiting scholar at the Sloan School of Management, MIT. He has also been a visiting faculty at INSEAD, Singapore Management University, SDA Bocconi, the Chinese European International Business School at Shanghai, and the Indian School of Business.

Employee engagement is key to sound businesses

The bottom line is that engaged employees improve a company's bottom line, and an organization possessing an entire workforce that is collectively engaged will exhibit higher levels of motivation. That's according to research by a team of professors and graduate students from Mays Business School's Department of Management, who determined that higher levels of collective engagement in an organization lead to higher level of motivation.

In a study of 83 small to mid-sized U.S. credit unions, the researchers concluded that engagement—defined as investing one's cognitive, emotional and physical self into work performances, i.e., putting one's head, heart and hands into work—leads to improved return on assets, a common financial indicator of organizational success.

"The word 'engagement' is sometimes used as a pop term," said **Stephen H. Courtright**, an assistant professor of management who participated as a researcher in the project. "There is a lot of discussion anecdotally that engagement impacts organizational effectiveness, but we set out to test in an objective, scientific way whether an organization full of employees who see themselves and other organizational members as engaged improves the bottom line," he said. "We concluded that yes, employee engagement impacts an organization and helps drive its competitive advantage. That means collective engagement matters for organizational effectiveness in a real and measurable way."

However, beyond just showing the bottom-line impact of collective employee engagement, the researchers also sought to answer a question naturally brought up by organizational leaders and stakeholders: "What can organizations do to get their workforce engaged?" While some research has analyzed what immediate bosses can do to help a small group of employees become more engaged, what organizations can do from a strategic standpoint to influence their workforce to be collectively engaged as a whole is a deeper question.

Management Professor Murray Barrick, Courtright and graduate students Gary Thurgood and Troy Smith tested this question on the same sample of credit unions. Using this sample of similarly-sized organizations from the same industry helped to produce purer results.

To get a collective workforce engaged, "it starts at the top," Courtright said. Specifically, the researchers found that the strongest predictor of collective employee engagement was the CEO's "transformational leadership," a leadership style in which the CEO (1) articulates a compelling vision that challenges the status quo, (2) serves as an inspirational and charismatic role model and (3) shows care and concern for members of the organization.

Next, the team found that company leaders need to establish and implement performance management systems that serve to identify and track high performers, reward high performers and then make high performers feel secure in their job.

Finally, companies can better facilitate collective employee engagement by designing jobs within the organization to be more motivating for their employees. This includes giving employees greater autonomy and ownership over tasks, allowing them to use a variety of skills on the job and helping them to see how their jobs make a significant difference to the company's overall success.

According to the researchers, these three organizational-level factors, in combination, maximize the three underlying psychological conditions for full engagement from employees—psychological availability, safety and meaningfulness. "CEO transformational leadership helps employees be more willing to be engaged at work; effective performance management helps employees feel that they are rewarded for being engaged; and motivating job design helps employees sense that impact of their engagement on the organization," said Courtright.

STEPHEN H. COURTRIGHT

"Collective Organizational Engagement: Linking Motivational Antecedents, Strategic Implementation, and Firm Level Performance" was accepted for publication in the *Academy of Management Journal* February 2014. Researchers are Murray R. Barrick, Stephen H. Courtright, Gary R. Thurgood and Troy A. Smith.

"Regulatory pendulum" models the cyclical pattern of compliance rules

In an economy that values financial success and high revenues, organizations of all types continually struggle to balance efficiency with production-constraining regulations.

"Organizations have two motivations: production and compliance," explained Rogelio Oliva, associate professor of information and operations management at Mays and Ford Faculty Fellow. "They are trying to grow their businesses while, at the same time, knowing they must follow the rules."

Oliva and his colleagues—Ignacio Martinez-Moyano from the University of Chicago and David McCaffrey from the University at Albany—have been conducting ongoing studies that model rule development and compliance in organizations. Their most recent study examines United States financial markets as a case area and suggests that recurring regulatory problems during the past 60 years are structurally similar.

"There are some structural reasons why we have a financial crisis every so often," said Oliva. "The crises change in specifics, but they all have the same origin. The system is rigged so that the actors in a system become lax in compliance due to an enormous pressure to produce."

Oliva and his colleagues propose a model of drift and adjustment in rule compliance. This model centers on the tension between production goals that focus on short-term benefits and required adherence to production-constraining rules that attempt to mitigate long-term risks.

"The pressure for companies to produce leads to one of two outcomes: working hard or cutting corners," said Oliva. As organizations face high volume and time pressures, they may adopt a "Will we get caught?" decision-making mindset. In an attempt to evade controls and avoid delays, they will often commit a number of small infractions that will, for a while, remain undetected or tolerated. However, adopting this mentality can lead to a decrease in service quality and an accumulation of regulatory and criminal violations.

"Eventually the violations pile up so that people can see the evidence," explained Oliva. "This leads to strong backlash from regulators and an increase in the number of regulations. After a while, there are too many regulations and they start to back off, leading to the same cycle all over again." This "regulatory pendulum" can be applied to settings beyond financial markets as well, since this phenomenon occurs in virtually every industry.

One surprising discovery uncovered by the research is how fast-paced the evolution of new products and regulations is. "It reminded us of the evolutionary race between predators and prey," said Oliva. "New products are designed to address customer needs and soon someone starts abusing the system with these new products." Eventually, however, these new products lead to even more regulations, which causes the pendulum to swing again.

This study is one of the first attempts to bring all plausible explanations together to form an aggregated picture of what is occurring in the market. Oliva and his colleagues have received support and validation from industry partners for their research and are presently working to validate their theory by creating a detailed model capable of replicating these dynamics.

"Ultimately, we have analyzed the micro decisions that are made in the industry to identify a structure that is responsible for the behavior," said Oliva.

ROGELIO OLIVA

"Drift and Adjustment in Organizational Rule Compliance: Explaining the 'Regulatory Pendulum' in Financial Markets" was published in *Organization Science* and is authored by Rogelio Oliva of Mays, Ignacio J. Martinez-Moyano of the University of Chicago and David P. McCaffrey of the University at Albany, State University of New York.

Strong branding is helping companies save in unusual ways

Many research studies have analyzed customer-based brand equity, but researchers often fail to notice the impact of customer perceptions on executive pay. Alina Sorescu, associate professor of marketing at Mays Business School, saw a correlation between customers' willingness to pay more for specific brands and top management of well-known brands' willingness to work for less compensation.

Sorescu first saw patterns forming within academia when PhD candidates chose to study at more prestigious schools who offered them less scholarship money over lower-tier schools offering a much larger amount of scholarship money. She theorized the PhD candidates' decisions were based on the opportunities created by attending a more prestigious school. In the long run, the benefits of taking the option that provided less funding would pay off because of the brand equity that accompanies a prestigious degree. Her findings were so consistent that she began applying this theory to other scenarios.

Sorescu and her colleagues, Nader Tavassoli and Rajesh Chandy – both from the London Business School – began looking for connections between brand equity and the salary of various companies' top five executives. Sorescu wanted to know if top executives of companies with well-known brands received lower compensation.

She began her data collection with U.S. Young & Rubicam BAV metrics survey to obtain brand strength, executive level compensation data from ExecuComp, a Standard & Poor's database and firm level data which yielded a sample of 10,107 observations for all executives and 1,869 observations for CEOs, across 393 firms.

Her findings were in line with the proposed theory. "For the subsample of CEOs we find that one standard deviation increase in brand strength is associated with a 12.13 percent decrease in pay, or $1,268,130 in savings for the average CEO compensation. For the subsample of non-CEOs we find a 2.42 percent decrease in pay for one standard deviation increase in brand strength, or $89,978 in savings for the average."

In an effort to explain why strong brands should attract executives at lower levels of pay, Sorescu explains the definition of employee-based brand equity as "the value that a brand provides to a firm through its effects on the attitudes and behaviors of its employees." This concept offers a new look at the returns on branding, by cutting costs instead of increasing revenue. "The payoff to brand investments largely exists in the revenue gains that they can yield. Our approach flips this notion by looking at the cost side of profits, an area rarely examined in marketing," she explains. "We suggest that a significant part of the returns to marketing investments in brands may be in reducing payroll costs."

Taking a look at the psychological effects strong brands have on executive pay, Sorescu offers an identity-based framework. "The overarching theme underlying this effect is self-enhancement," she said. "Strong brands offer greater possibilities for self-enhancement to the executives associated with them than do weak brands." People choose to work for companies with strong brands because brands build reputation and those connections create future opportunities. "Self enhancement is seen as a substitute for pay," she noted. Brands are seen as a signaling tool. Being associated with a strong brand says something about you; the long-term benefits outweigh the immediate salary cut one may be willing to take.

"The results found imply that researchers should take a broader view of the contributions that brands make to firms and the effect they have on the balance sheet," Sorescu said of employee-based brand equity. "Moreover, they should make use of strong brands in executive pay negotiations that are typically viewed as being outside the realm of marketing."

ALINA SORESCU

"Employee-Based Brand Equity: The Impact of Customer Perceptions on Executive Pay" by Alina Sorescu, Nader Tavassoli and Rajesh Chandy (both of the London Business School) was published in the *Journal of Marketing Research*. Sorescu is holder of the Rebecca U. '74 and William S. Nichols III '74 Professorship at Mays.

Study targets the variance in equity lending fees

Buyers and sellers are equally important in the United States financial market. An influx of buyers causes stock prices to increase, which prevents stock undervaluation. Conversely, an increase in the number of sellers causes stock prices to decrease, which prevents stock overvaluation.

According to **Adam C. Kolasinski**, associate professor of finance, activity from both types of investors is critical to maintaining a balanced and accurate stock price.

"Speculation is important for the financial market because it leads to price discovery," explained Kolasinski. "If nobody were betting on assets, we would have no way of discovering the right price."

Even investors who do not own shares are able to bet down on stocks. This is accomplished through the process of short selling, in which investors temporarily borrow stock from lenders. The borrowers then resell the stock with the hope that the price will go down before they buy back the stock and return it to the lender. If the price decreases, the borrowers will be able to pocket the profit. Otherwise, they will be forced to buy back the shares at a higher price and, as a result, will lose money.

Short selling is not free for borrowers. Lenders charge fees to anyone wishing to borrow shares, and these lending fees vary widely across stocks.

Kolasinski and his colleagues studied the equity lending market to better understand why lending fees vary and the dynamics behind these fees. "High fees could be a barrier to negative speculation," said Kolasinski. "They could discourage investment and end up causing stocks to be overvalued."

The researchers investigated what determines lender fees and how they respond to demand shock, or a spike in the demand from borrowers. They found that for the most part, fees are actually very low and tend to be invariant to borrower demand. However, when demand shock is extreme, lending fees start to spike.

"We found evidence that the opacity of the market seems to be driving this occasional spike in fees," said Kolasinski. "Unlike the stock market, which has a highly transparent centralized exchange, the equity lending market is very opaque and has no centralized exchange." As a result, people wishing to borrow shares must reach out themselves and search for willing lenders.

"When borrower demand is slow to moderate, most lenders have shares available for loan, so competition among lenders keeps fees low," elaborated Kolasinski. "However, for smaller stocks, a spike in borrower demand can exhaust the inventory of lendable shares at many of the better-known lenders with whom borrowers have established relationships."

Since searching for new lenders is costly for borrowers, the few remaining lenders who have shares left in inventory will enjoy a local monopoly of sorts, allowing them to charge high fees. Thus, when search costs are higher, the average fee is higher, and fees tend to be more responsive to demand shocks.

"The bottom line is that the market for share loans would benefit from more transparency and a centralized exchange," said Kolasinski.

ADAM C. KOLASINSKI

"A Multiple Lender Approach to Understanding Supply and Search in the Equity Lending Market" was published in *Journal of Finance* and is authored by Adam C. Kolasinski of Mays and the University of North Carolina's Adam V. Reed and Matthew C. Ringgenberg.

Business Research in Action illustrates the research conducted by Mays Business School faculty and its application to current and emerging business issues.

For more information, please visit **mays.tamu.edu/research**.

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