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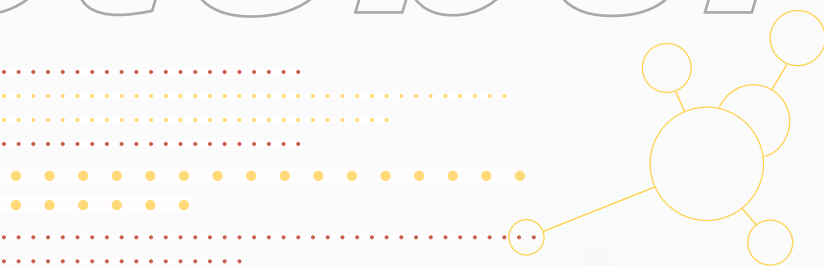
# Research@Smith

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UNIVERSITY OF  
MARYLAND

ROBERT H. SMITH  
SCHOOL OF BUSINESS



# Dean's column

Research@Smith

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*Research@Smith* summarizes research conducted by the faculty of the Robert H. Smith School of Business at the University of Maryland.

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The role of government in business is undergoing a sea change. In the past year, government has become a shareholder in many financial institutions. In some cases the government is for all practical purposes a part owner of these institutions. Government intervention in the financial system has played an important role in stemming global financial ruin. But by its very nature, government must make decisions based on how they will play with the public, with their constituencies back home. This can influence and affect government decision-making in adverse ways.

Academics, who have no need to court public approval, can provide a source of unbiased, influence-free information to government agencies. It's important to have deep thinkers involved in the development of policy, people who are not under pressure to further anyone's political agenda or are affected by the political consequences of the outcome.

That is why the Smith School is launching the Center for Financial Policy—to bring together new and existing faculty research for the benefit of policy-makers and practitioners alike. We hope our faculty will have an impact on future regulation and help financial institutions operate more effectively under this new paradigm of public-private partnerships. Of course, government operates at a speed that allows much less time than most academics like to spend thinking about these issues! The center's challenge is to be relevant and responsive to the issues that affect policy, and to do it at the speed of government.

The wider challenge for all academia is to make its voice heard within the corridors of power, alongside the many other voices competing for attention. Every administration has its own experts, but it is important that voices from the outside be heard as well. The Smith School is making its voice heard and bringing its thought leadership to bear in many ways. *Research@Smith* allows us to reach out to executives and business leaders with the latest research from our world-renowned faculty. We hope you find this publication helpful in your business pursuits.



G. "Anand" Anandalingam  
Dean, Robert H. Smith School of Business  
University of Maryland



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Michael O'Brien, vice president of business operations and CFO,  
Sandia National Laboratories



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# Developing managerial talent through stretch assignments

Those with a strong learning orientation benefit most from stretch assignments.

**O**n-the-job experience can be a powerfully transformative tool for professional growth—in fact, research indicates it may be the primary vehicle for learning critical leadership skills. Many companies use job assignments to groom high-potential managers, but what kinds of experiences are really valuable for developing manager potential? And what kinds of managers benefit most from these experiences?

Paul Tesluk, Ralph J. Tyser Professor of Organizational Behavior and Human Resource Management and chair of the department of management and organization, Joyce E. A. Russell, Ralph J. Tyser Distinguished Teaching Fellow, with former Smith PhD student Lisa Dragoni, now at Cornell University, and In-Sue Oh, University of Iowa, examine the effectiveness of “stretch assignments”—experiences which challenge and potentially broaden a person’s current capabilities—from the lens of individual goal orientations. This approach, used by educational psychologists to describe student behavior in the classroom, is now being used to understand which employees are most likely to seek out and benefit from stretch assignments.

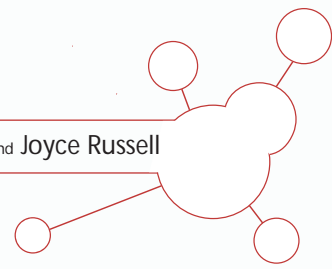
Part-time MBA students who were in early-career managerial roles participated in the study, as did their supervisors. The participants’ goal orientations were assessed on the degree to which they demonstrated a learning orientation. Learning-oriented people are motivated by a desire to demonstrate mastery of new skills and behaviors. The participants completed

a survey on their managerial assignments and development, and the authors followed up with the participants’ supervisors to understand how managerial assignments relate to the development of managerial competencies.

“Stretch assignments are those that require someone to manage and negotiate change, exert influence over others, and build coalitions. These assignments are highly developmental because they require new managers to learn new skills in order to be successful in the assignment, and they have a significant challenge which motivates new managers to work hard to improve their capabilities.,” says Tesluk.

Tesluk and his co-authors found that those with a strong learning orientation benefited most from stretch assignments. They enjoyed being challenged and learning something new, and were more likely to seek out critical feedback.

Senior executives responsible for developing high-potential talent in their organizations should identify those with a learning orientation in their groups, and then create an environment where stretch assignments are valued and where people are given access to them. The best stretch assignment opportunities are often guarded, says Tesluk. Companies may not want to lose a person who is already doing a fine job in a mission-critical position in order to give a high-potential junior manager the opportunity to grow in that position. “It requires



some organizational discipline to have rotational programs and create incentives for managers to take stretch assignments,” says Tesluk. “Yet, this has become increasingly important for organizations since today’s employees are much more likely to be looking for rotational opportunities in order to enhance their own marketability,” says Russell.

In an economy where many companies have had to lay off employees, stretch assignments may be more a matter of necessity than of opportunity. Juggling workloads and reassigning tasks can be framed as an opportunity for junior managers to gain new skills. Managers should consider how they are developing leadership for the next generation and use challenging on-the-job experiences, in combination with active mentoring and review processes, to help high-potential employees grow. “This is especially critical today,” says Russell, “given the pending retirements of the Baby Boom generation and the large number of Generation X and Y employees who will need to be developed to assume those managerial positions.”

“Companies have cut back on leadership development activities because of tight budgets, but firms will need that leadership to help them surmount

Managers should consider how they are developing leadership for the next generation and use challenging on-the-job experiences, in combination with active mentoring and review processes, to help high-potential employees grow.

the challenges of a difficult economy,” says Tesluk. “Managers need to present assignments by saying *Here is what you’re going to learn through this process, these are the things at which you will have to become highly proficient, I know you’re going to struggle and here is how we’re going to help you through the process.* Then it becomes less about the end result and more about performing through the process.”

“Understanding Managerial Development: Integrating Developmental Assignments, Learning Orientation and Access to Developmental Opportunities in Predicting Managerial Competencies,” was published in the August issue of the *Academy of Management Journal*. For more information about this research, contact [ptesluk@rhsmith.umd.edu](mailto:ptesluk@rhsmith.umd.edu) or [jrussell@rhsmith.umd.edu](mailto:jrussell@rhsmith.umd.edu).



# How peer groups comparisons affect executive compensation

When benchmarking executive pay, compensation committees choose peer companies whose CEOs receive bigger compensation packages.

In 1980, the average CEO's compensation was about 42 times what the average worker was paid. By 2007, CEOs received about 344 times the average worker salary. Some view the ballooning of executive compensation as a failure of corporate governance, or evidence of abuse of power. Others argue that it just reflects market forces: top CEOs must be paid top dollar, or they'll take their (presumably irreplaceable) talents to other organizations.

But how do companies arrive at these astronomical sums? The compensation committee of the firm's board of directors reviews and amends the recommendation of the firm's human resources department, frequently working with outside compensation consultants. The compensation committee also benchmarks its firm's pay packages against other companies with whom the firm competes for talent.

Michael Faulkender, assistant professor of finance, with co-author Jun Yang, Indiana University, believes that the choice of a peer group for benchmarking by a firm's compensation committee has a strong influence on the size of the compensation package a CEO eventually receives.

"The reason executive compensation is an interesting marketplace to analyze is because CEOs have an

influence on the compensation practices of the firm that other top talent do not," says Faulkender. "When Katie Couric was hired by CBS, it was an arms-length transaction; she had no control over what management offered her as a pay package. But the same does not always hold true for CEOs. CEOs are involved with who sits on their board of directors. There is concern that those kinds of influences skew the results of executive compensation."

In 2006 the Securities and Exchange Commission (SEC) required companies to disclose the companies that comprised compensation peer groups, enabling researchers to more closely examine the mechanisms by which executive compensation is determined. Faulkender collected the list of compensation peer companies used by S&P 500 firms and S&P MidCap 400 firms in the first fiscal year following the compliance date for the new rule for this study, the first of its kind. Salary, bonuses and total direct compensation were the measured separately.

Compensation committees, as might be expected, chose compensation peer groups from firms that were similar in size, industry, visibility, and had similar CEO responsibility. After controlling for these factors, the authors found that of two potential peers, both similar in size and in the same industry, the compensation committee and compensation consultant picked for its benchmarking group the peer company whose CEO received a bigger compensation package.



Research by Michael Faulkender

The choice of peer group may serve as a justification for high pay packages, because it reflects what a comparable level of skill and talent goes for in the marketplace. Seeing other similarly-paid CEOs helps make the compensation committee make the case for higher pay to the board of directors.

This effect is stronger in firms where the CEO is chairman of the firm's board of directors, where the CEO has long tenure and where directors are busier serving on multiple boards. CEOs who have been with the firm a long time and serve as chairman of the board might be expected to have played a role in the formation and composition of the board, and thus have more power and influence over his or her own compensation committee.

Choice of peer group may also serve as an opportunity for gaming—for CEOs to influence their own compensation packages. "We do find evidence of gaming, but it could be much more egregious," says Faulkender. Compensation committees choose compensation peer groups that have highly paid management. But they also appear to be comparing their own firms to firms of similar size—meaning they're careful to compare apples to apples when it

The choice of peer group may serve as a justification for high pay packages, because it reflects what a comparable level of skill and talent goes for in the marketplace. Seeing other similarly-paid CEOs helps the compensation committee make the case for higher pay to the board of directors.

comes to the size and prominence of the companies they identify as peers.

What is the role of policy-makers, regulators and outside investors in mitigating the effect of undue influence on executive compensation? Policy-makers can look at the structure of pay packages, says Faulkender, focusing attention on constructing incentives that better align the incentives of management with the success of the firm.

"Inside the Black Box: The Role and Composition of Compensation Peer Groups," is forthcoming from the *Journal of Financial Economics*. For more information about this research, contact [mfaulken@rhsmith.umd.edu](mailto:mfaulken@rhsmith.umd.edu).

# IT and firm profitability

Investing in IT may have more of an effect on a firm's profitability than advertising or even R&D

**B**y the late 1980s there was a computer on every desk. But that wasn't necessarily a good thing, according to some researchers, who observed that there was hardly any visible workplace productivity improvement in services despite this initial influx of information technology. But IT has come a long way since then. While the productivity effects of IT have been obvious for some time, new research indicates that investing in IT may have more of an effect on a firm's profitability than advertising or even R&D.

Most previous research into the profitability of IT used data collected prior to the mid-1990s. Many of those studies failed to detect the effect of IT on profitability. But a new study Sunil Mithas, assistant professor of decision, operations and information technology; Ali Tafti, University of Illinois-Urbana-Champaign; Indranil Bardhan, University of Texas-Dallas; and Jie Mein Goh, a doctoral student at the Smith School, found that "new" information technologies, those deployed since 1995, have a significant positive impact on firm profitability.

The study uses proprietary, archival data from more than 400 global firms collected over a six-year time period. The worldwide benchmarking survey was administered annually over this period to CIOs and other senior IT executives from large global firms, and collected firm-level IT investment data and other IT investment-related information. IT investments include all hardware, software, personnel, training,

disaster recovery, facilities, and costs associated with supporting the IT environment, from servers and desktop machines to help desk staff.

Research conducted before the advent and widespread use of the Internet found no effect of IT expenditures on firm profitability. But this study found a strong connection. Unlike their older counterparts, newer IT systems seem to help firms improve their bottom line—which should dispel any doubts of the strategic value of IT investments, says Mithas.

But some kinds of IT projects will prove more advantageous than others. IT can be used to reduce costs by creating more efficient operations, or it can be used to support sales growth through customer satisfaction and customer retention strategies. Cost reduction had a negligible effect on the profitability of IT investments, the authors found.

But IT investments did have a marked positive effect on revenue growth. Companies that are able to take advantage of the power of IT to serve customers in increasingly more personalized ways are benefiting from the new value propositions IT has made possible: by allowing firms to create more customized, personalized offerings to their customers; by creating new marketing channels to promote awareness of the company's product or service; and by improving the company's ability to manage its customer lifecycle, leading to greater customer loyalty.



Research by Sunil Mithas

Mithas also found something that managers may find surprising: investment in IT has more of an impact on firm profitability than either advertising or research and development efforts.

“Most firms already know how to manage R&D and advertising to their best advantage,” says Mithas. “There is much more variability in firms’ abilities to manage IT. It is possible that a manager has implemented an ineffective IT program and has gotten his fingers burned. So next year he says we’re not going to give resources to IT because that doesn’t work for us. So there is variation in how firms are handling IT, and the benefits they are able to reap from it.”

IT investment seems to have a greater effect on the profitability of firms in the service sector than on firms in the manufacturing sector, though Mithas says that more firm-level evidence is needed to document the sources of profitability provided by IT.

The pathways leading to profitability aren’t always compatible, so knowing the impact of an IT investment can help managers make savvy choices among discretionary expenditures. “This is a question

The pathways leading to profitability aren’t always compatible, so knowing the impact of an IT investment can help managers make savvy choices among discretionary expenditures.

of interest to many in the business world—what really affects firm profitability?” says Mithas. “We can now be sure that IT does impact firm profitability, and our findings suggest that its effect is greater than that of R&D or advertising.”

“Information Technology and Firm Profitability: Mechanisms and Empirical Evidence” is a working paper and has been presented at several research conferences. For more information about this research, contact [smithas@rhsmith.umd.edu](mailto:smithas@rhsmith.umd.edu).

# Engaging a global conversation on financial policy

Smith School faculty have been actively involved in advising key players and proposing potential solutions to the finance crisis, briefing congressional staffers, members of the House and Senate Committee on Banking and the Committee on Government Oversight, and the federal Oversight and Government Reform Committee on issues from the collapse of Bear Stearns to the Troubled Asset Relief Program (TARP).

Now the Smith School has drawn together the expertise of Smith faculty in its new Center for Financial Policy. "The financial crisis highlighted the need for a broader, interdisciplinary perspective to addressing financial policy and corporate governance issues," says Lemma Senbet, William E. Mayer Chair Professor of Finance and director of the center. "Our hope is for government financial regulatory agencies, congressional staffers, industry associations, and corporations to look to the center as a partner and champion of best practices in the financial arena."

The center will encompass the broad range of research in which Smith faculty are already world experts, focusing on areas related to corporate governance, led by Senbet; financial institutions and corporate finance led by Haluk Unal, professor of finance; emerging capital markets, led by Vojislav Maksimovic, Dean's Chair Professor of Finance; asset valuation and markets, led by Albert "Pete" Kyle, Smith Chair Professor of Finance; money management, led by Russ Wermers, associate professor of finance; and risk management, led by Alexander Triantis, professor of finance and finance department chair, and Cliff Rossi, the center's managing director.

As the federal government continues its efforts to reform and regulate the financial services industry, policy-makers will need the expertise born of long study that only comes from academia. The center will marshal and mobilize Smith faculty in order to clarify the issues and questions that perplex policy-makers in the complex world of financial markets. The center leaders will reach out to Capitol Hill staffers in order to help steer and influence policy and elevate the center's visibility as a source of thought leadership and relevant, timely scholarship. "We'd like to build relationships with agencies within the administration and Congress that have engaged in policy work related to financial services," says Rossi.

In September, Senbet spoke to a group of interested executives and policy-makers about executive compensation and public policy at the Smith School's Thought Leadership speaker series in Washington, D.C. In October, the center brought in prominent economist Henry Kaufman to speak.

On November 2, the center will bring together academia, policy and practice at a roundtable event titled: "Executive Compensation—Practices and Reform," featuring keynote speaker Kenneth Feinberg, a well-known lawyer and mediator recently appointed to be the Obama administration's "pay czar." In this role he will be responsible for setting the salaries of some of the top financiers and industrialists in America, including the top 25 executives of AIG, General Motors, Chrysler, Citibank and Bank of America.



The center will also offer white papers and periodic briefings.

Bringing together stakeholders from academia, industry and the policy world is one of the center's key goals. Over the years Smith's finance department faculty have forged relationships with executive leadership at the World Bank, the International Monetary Fund (IMF), Fannie Mae and Freddie Mac, staff with Congress and the Obama administration, and insurance and trade organizations. The center is also drawing on the extensive industry experience and connections of Smith alumni.

One such alumnus is William Longbrake, PhD '72, who joined the center as an Executive-in-Residence. Longbrake has extensive experience in finance, macroeconomics and monetary policy, risk management, housing, public policy and academia, government, serving both the public and private sectors. He is chairman emeritus of the Financial Services Roundtable's Housing Policy Council. He served as chief financial officer of Washington Mutual Inc., for most of the period from 1982 to 2002, except for 1995-1996 when he was chief financial officer of the FDIC. He serves on several committees of the American Bankers Association, as well as numerous boards of directors of financial institutions and charitable foundations.

Rossi, the center's managing director, has nearly 25 years of experience in banking and government, having held senior executive roles in risk management at several of the largest financial services companies. His most recent position was Chief Risk Officer for Consumer Lending at Citigroup where he was intimately involved in TARP funding and stress tests performed on Citi. Previous to Citi, Rossi held senior positions at other major financial institutions and worked for a number of years at the Treasury Department and Office of Thrift Supervision working on key policy issues affecting depositories.

Senbet, the center director, is a world-renowned and widely-published researcher in the field of finance. He has advised the World Bank, the IMF, the UN, and other institutions on issues of financial sector reforms and capital market development. He has served as an independent director for The Fortis Funds and currently is an independent director for The Hartford Funds.

For more information about the center or the Executive Compensation Roundtable, contact Cliff Rossi, [crossi@rhsmith.umd.edu](mailto:crossi@rhsmith.umd.edu).

## Be First With Big Ideas

The Smith School's world-class faculty discuss their latest research on topics of broad interest and importance at the ThoughtLeadership@Smith Speaker Series. Each presentation is followed by an opportunity to network with alumni and regional business leaders at one of Smith's convenient local campuses in Washington, D.C., or Baltimore, Md.

Breakfast begins at 8 a.m.; presentations begin at 8:30 a.m. and are followed by a Q&A period concluding at 10 a.m. Cost is \$25 for the general public.

### September 18, Washington, D.C.

Lemma Senbet, William E. Mayer Chair Professor of Finance

#### Executive Compensation and Public Policy

Do high-powered incentives in executive compensation really motivate performance, or do they just provide CEOs with an incentive to manipulate performance? In view of current debate in academic and policy circles, Senbet discusses the reform of executive compensation and its role in the governance of financial institutions.

### October 16, Washington, D.C.

Michel Wedel, Pepsico Professor of Consumer Science

#### Evaluating Visual Marketing

What draws your attention when you're shopping? When you're online? When you're looking at a print ad? Does that attention-grabber build or destroy brand value? Wedel will discuss latest research techniques for studying the impact of visuals in advertising, website design and shelf lay-out, and will discuss the impact of findings on brands.

### October 9, Baltimore, Md.; and November 20, Washington, D.C.

Ritu Agarwal, Robert H. Smith Dean's Chair of Information Systems

#### Transforming Healthcare through IT

Will digitization help alleviate the healthcare system's quality and efficiency shortcomings? How do we evolve toward a more consumer-centric healthcare system? Agarwal discusses the challenges and opportunities offered by health information technologies.

### November 6, Baltimore, Md.

Albert "Pete" Kyle, Smith Chair Professor of Finance

#### Can the Financial System Support Growth?

The financial crisis eroded the market capitalization of companies like Citigroup and Bank of America, but sustained economic growth requires a healthy banking system. Kyle considers whether the current regulatory infrastructure and capitalization of the finance industry are able to support economic growth.

### December 11, Baltimore, Md.

Hugh Courtney, Professor of the Practice of Strategy, Associate Dean of Executive Education

#### Creating Success From Uncertainty

Learn how to successfully navigate through uncertain times to ensure your organization survives the current downturn and is positioned to thrive in the next upturn. Courtney examines lessons learned from previous downturns and shares insights from the latest thinking on strategic planning and decision-making.

#### CAMPUS LOCATIONS:

##### Washington, D.C.

Ronald Reagan Building & International Trade Center  
1300 Pennsylvania Avenue, N.W.  
Federal Triangle Metro stop

##### Baltimore, Md.

Baltimore BioPark  
University of Maryland-Baltimore  
801 W. Baltimore St.

## 10th Annual CIO Forum: Web 2.0 and Beyond

Friday, November 6, 2009

8:30 a.m. - 2:30 p.m.

Ronald Reagan Building &  
International Trade Center

1300 Pennsylvania Avenue, N.W.  
Washington, D.C. 20004

Join technology leaders from government and the private sector to discuss Web 2.0, its evolution, global impact, and future at the Smith School's 10th Annual CIO Forum, featuring keynote speaker Vivek Kundra, federal chief information officer, and keynote speaker Paul de Sa, Chief Strategist, Federal Communications Commission.

The new generation of Web 2.0 technologies, including social networking and online communities, are rapidly transforming the face of business and commerce, affecting how government and public institutions engage with the citizenry, and how healthcare is managed, accessed, and delivered. From peer-to-peer lending, to online product reviews, to political campaigns orchestrated online, to virtual patient communities that allow consumers to manage their own health and well-being, examples of this transformation can be seen in every sector of the economy. The American Recovery and Reinvestment Act of 2009 allocated significant investments for a techno-centric economy of the future. Businesses and policy-makers need to manage these technologies wisely to leverage their value and avoid pitfalls. For more information or to register, visit [www.rhsmith.umd.edu/cioforum](http://www.rhsmith.umd.edu/cioforum).

## Featured Researchers

**Michael Faulkender**, assistant professor of finance, received his PhD from Northwestern University. Faulkender's research focuses on empirical corporate finance, primarily in the areas of capital structure, risk management, corporate liquidity, and executive compensation. He was awarded a research grant from the FDIC Center for Financial Research, which was accompanied by an appointment to serve as a fellow of the center during the term of the grant.

For more information or to register, visit [www.rhsmith.umd.edu/thoughtleadership](http://www.rhsmith.umd.edu/thoughtleadership)

## ThoughtLeadership@Smith

## Mobile Music

By Megan Cooley-Klein

The downloading of digital music is more popular with Millennials than buying CDs or listening to the radio. Many newly created service providers, such as the popular Web site Pandora.com and iTunes' application Genius, use feedback from each individual user to create personalized playlists, or recommend other songs to the user. Roland T. Rust, David Bruce Smith Chair in Marketing; Michel Wedel, Pepsico Professor of Consumer Science; and Tuck Siong Chung, Nanyan Tech University, Singapore, have created a new, more powerful model to automatically download music based on songs users like, called an Adaptive Personalization System (APS).

Most music recommendation systems belong in one of two categories: content filtering, or collaborative filtering. Content filtering systems make music recommendations based on past preferences and similarity, while collaborative filtering systems predict the user's music preferences based on other known preferences. The APS, on the other hand, creates customized playlists depending on how long a user listens to a particular

song. For example, if a user only listens to a song for about 2 seconds, then skips ahead, it is assumed that the listener does not like that song. The system can then predict the listening duration of other songs, and recommends ones with longer predicted listening duration.

One key aspect of the APS is that the system automatically downloads and creates playlists for you based on the amount of time you listened to a song. This minimizes the amount of work users have to do, which the authors found increases positive feedback. The disadvantage is that when users first start to use the system, they have to listen to a playlist created randomly by the APS in order for the system to begin to collect data. However, this can be easily improved upon by using playlist already stored by the user in their mobile devices. The APS, which is meant to be used in mobile devices and MP3 players, works in real time, so it is updated more often with user feedback, to which the system responds accordingly.

In order to determine if their system was more effective than other benchmark systems, the authors did a study to compare the two systems; people participating in the study were



given the APS on a Palm PDA and instructed to test it out. The majority of the people studied were 18 to 21 years old, 63% female, and 37% male; this more or less represented the target demographic. The authors discovered that users of the APS listened to more songs picked by the system for a longer amount of time. Interestingly, the authors also found that the participants in the study were able to decide pretty quickly if they didn't like a song, and that most of them had relatively focused musical tastes.

Further research may look into the possibility of choosing song order (which is not available in the current APS version) and having different playlists for different contexts—for example, a separate playlist for exercise songs, or songs to listen to on the way to work.

For more information about the APS and the related study, contact Rust, [rrust@rhsmith.umd.edu](mailto:rrust@rhsmith.umd.edu), or Wedel, [mwedel@rhsmith.umd.edu](mailto:mwedel@rhsmith.umd.edu).

**Sunil Mithas**, assistant professor of decision, operations and information technology, received his PhD from the University of Michigan. His research focuses on strategic management and impact of information technology (IT) resources such as IT spending, IT applications and IT human capital, tracing the impact of IT resources on firm performance and shareholder value through revenue growth, cost reduction and intangibles such as customer satisfaction and organizational capabilities.

**Joyce Russell**, Distinguished Tyser Teaching Fellow, is a licensed industrial and organizational psychologist and has over 25 years of experience consulting with both private and public sector

organizations. Her expertise is primarily in the areas of leadership and management development, negotiation tactics, executive coaching, training, career development, work teams, and change management.

**Roland Rust**, Distinguished University Professor, David Bruce Smith Chair in Marketing and executive director of Center for Excellence in Service, received his PhD from the University of North Carolina-Chapel Hill. His research focuses on customer equity and the services discipline.

**Paul Tesluk**, Ralph J. Tyser Professor of Organizational Behavior and Human Resource Management and co-director of the Center for Human Capital, Innovation and Technology (HCIT), received his PhD

from the Pennsylvania State University. His research focuses on strategies to enhance team effectiveness and innovation, the assessment and development of management and leadership talent, and organizational culture and climate in organizations transitioning to high-involvement workplace systems.

**Michel Wedel**, PepsiCo Professor of Consumer Science, received his PhD from the University of Wageningen, Netherlands. His main research interest is in consumer science: the application of statistical and econometric methods to further the understanding of consumer behavior and to improve marketing decision-making.

# In Focus: Matthew O'Brien

THE SMITH SCHOOL'S EXECUTIVE EDUCATION PROGRAMS GIVE EXECUTIVES IN THE WORKPLACE ACCESS TO THOUGHT LEADERSHIP FROM THE SUPERSTARS OF SMITH LABS AND CLASSROOMS.

Matthew O'Brien has had something of a stellar career. O'Brien is vice president of Business Operations and CFO for Sandia National Laboratories. He manages its supply chain operations as well.

Sandia, a U.S. Department of Energy facility, is one of three national laboratories that contributes to national security, supports the national nuclear weapons complex, and engages in a variety of engineering and technology activities for U.S. government and industry. Sandia has an annual revenue of \$2.3 billion.

O'Brien has had a long career with Lockheed Martin, the management and operating contractor for Sandia. He began his career at Martin Marietta working on Titan launch vehicles and satellites in the early 1980s. Martin Marietta later merged with GE Aerospace and then Lockheed to become Lockheed Martin. O'Brien has been with the company through every transition. "It's like having 10 careers all within the same corporation," he says.

Last summer O'Brien participated in the Executive Leadership Strategies Program (ELSP), a custom executive education program created for Lockheed Martin by the Smith School. It was a fantastic experience, he says. It brought together theory and practice in a way that was relevant and meaningful.

O'Brien found the session on planning for the future, taught by Gerald Suarez, associate dean of external strategy and executive education fellow, particularly useful. "Putting in place deliberate strategies that will help shape the future you hope for is so hard to do, but Gerald laid out a great taxonomy for understanding how to accomplish it," says O'Brien.

"The week after that class I began our annual Finance and Business Operations strategic planning at Sandia, and I found that having spent the time in class really framed what the agenda for that meeting should look like," says O'Brien.

Suarez uses a tool called "The Implications Wheel," which shows people how to think in a non-linear fashion. O'Brien was so impressed with the presentation and the Implications Wheel that he is planning to bring Suarez out to New Mexico to present directly to his team. O'Brien expects these tools and strategies will be very useful as he deals with his



unique workforce — a group of men and women who are highly educated in scientific and business fields and who don't always think in a linear fashion.

The second week of the course consisted of assessments designed to provide a basis for individual coaching sessions. "Without even talking with me, my coach was very perceptive in terms of interpreting and providing a description of how I'd work best. I thought she must be clairvoyant," O'Brien says.

Interacting with Smith faculty was a highlight of the course. "You sometimes hear that academia can be out of touch with the reality of the business world...this was not the case with the Smith School. They were really valuable to talk to."

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The University of Maryland, College Park, is one of the nation's top 20 public research universities. In 2007, the University of Maryland received approximately \$407 million in sponsored research and outreach activities. The university is located on a 1,250-acre suburban campus, eight miles outside Washington, D.C., and 35 miles from Baltimore.

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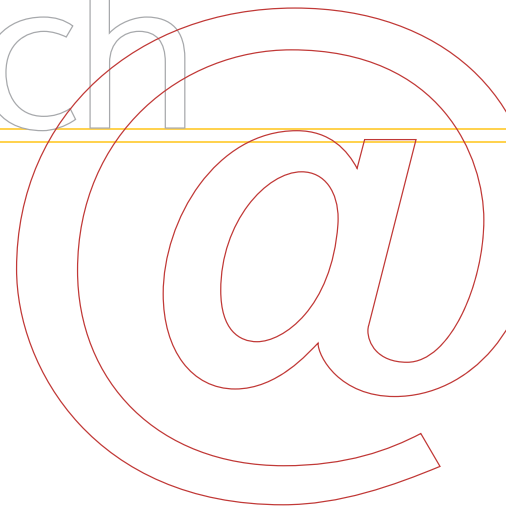
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