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The Smith School was recently ranked No. 10 in the world for research by the Financial Times, our fifth consecutive year in the top 15. We are world-renowned for our thought leadership. One of our challenges is moving that thought leadership from the university out into the business world, where practitioners can really benefit from it. We want our big ideas to have a big impact in the marketplace.

Research@Smith is one of the ways we make our expertise available to you, but I wanted to direct your attention to the Smith School’s YouTube channel as well. We are developing a library of videos and podcasts that capture the wealth of knowledge being created through events like conferences, forums and symposia at the school.

Interested in the business of sports? Dick Cass, President of the Baltimore Ravens, talked about what it’s like to run a national sports organization at the CEO@Smith Speaker Series. Interested in financial policy? James Lockhart, former director of the Federal Housing Finance Agency, talked about GSEs at the forum “The GSEs, Housing and the Economy.” Spain “Woody” Hall, the CEO of General Dynamics IT, talked about how to create a corporate culture that drives innovation at last fall’s CIO Forum. Or learn how millennials use social media for social change, in the segment on “Slacktivism and Online Organizing” from the school’s Social Media Forum.

I hope you will take advantage of these online learning opportunities, and let us know what you find most helpful as we continue to grow our multimedia offerings.

G. “Anand” Anandalingam
Dean, Robert H. Smith School of Business
University of Maryland
Predicting—and Preventing—Turnover
Research by Gilad Chen
Changes in job satisfaction are a good predictor of an employee’s turnover intentions.

Conference Calls for Merger Announcements
Research by Michael Kimbrough
Conference calls around merger announcements help companies gain credibility and favorably influence stock prices, but only if your CEO is well-spoken and well-prepared.

Public-Private Institutions in Emerging Markets
Research by Rafael Corredoira
Argentina’s government-sponsored institutions helped the wine industry thrive.

Supply Chain Management Center
Managing cyber supply chains in a risky and volatile world.

Research Shorts

Featured Researchers
ThoughtLeadership@Smith Speaker Breakfast Series

Executive Profile: Ed Glabus, EVP and CAO of Mantech International
Retention of talent is one of the main ingredients for success in many organizations. So companies are investing substantial resources into ways to retain their employees. Job satisfaction is a key factor in an employee’s decision on whether to stay or leave their organization. But it’s not just how employees feel about the job now—it’s about how their satisfaction has changed since last week or last month. That change in job satisfaction is a critical predictor of whether or not an employee is headed for the door, says Gilad Chen, professor of management and organization.

Chen and his co-authors studied levels of job satisfaction among four sample groups—two military and two managerial—and found that whether an employee planned to stay or leave depended on whether the person’s job satisfaction was rising or declining over time.

Their results show that even when an employee’s overall satisfaction seems high, a negative change in job satisfaction increased the likelihood of that employee developing intentions to quit. An employee whose overall satisfaction decreases from a very high level to a slightly lower level is more at risk of leaving the organization than an employee whose satisfaction increases from a very low level of satisfaction to a moderate level of satisfaction, even though the first employee was more satisfied overall during that time period.

The study’s results are very robust, Chen says. He and his co-authors measured the change in satisfaction of civilians and members of the military at time periods that varied from eight weeks to six months, and with newcomers as well as more tenured employees. The results were the same across all groups no matter how long or short the time period.

Part of this has to do with the human tendency to look at prior trends when projecting trends into the future. Any systematic change in a person’s work experiences shape their expectation for future work experiences. When an employee’s job satisfaction improves, he or she will expect the aspects of their work that affect their satisfaction to continue improving into the future. That leads the employee to want to stay with the organization. But when satisfaction falls, the employee is inclined to believe that his or her job situation will probably continue to worsen, and hence is more likely to leave.

Chen recommends that managers take the temperature of employee satisfaction on a regular basis, but especially when there is a major event in a company—new leadership, loss of a large client, a change in policies or a new initiative. “Think of any change as having the potential to trigger a trend,” says Chen, who emphasizes that it is important to step in to change downward trends quickly. “Because when things start spiraling downward, you need to...
think about how to improve employee satisfaction before the downward trend inspires them to leave.”

Managers should also consider the implications of how incentives and rewards are structured over time, says Chen. “It’s about the timing of rewards, not just financial rewards but promotion and recognition. If you throw all your weapons at one time, you’ll have a satisfied employee then, but you have to find ways to keep the employee at that level of satisfaction.”

“When an employee’s job satisfaction improves, he or she will expect the aspects of their work that affect their satisfaction to continue improving into the future. But when satisfaction falls, the employee is inclined to believe that his or her job situation will probably continue to get worse.

“The Power of Momentum: A new model of dynamic relationships between job satisfaction change and turnover intentions,” co-authored by Chen; Robert E. Ployhart, University of South Carolina; Helena Cooper Thomas, University of Auckland, New Zealand; Neil Anderson, Brunel University, UK; and Paul Bliese, Walter Reed Army Institute of Research; is forthcoming in the February 2011 Academy of Management Journal. This research was partially funded by a grant from the Army Research Institute for the Behavioral and Social Sciences. For more information, contact giladchen@rhsmith.umd.edu.
Many firms practice voluntary disclosure for routine accounting releases, such as management forecasts of earnings announcements. But companies also need to court investor buy-in when pursuing a strategic initiative like a merger, where the impact to the company is unlikely to be fully apparent for several years. So how can a firm manage the process of communicating about such an important corporate event in a way that will favorably influence investors? Michael D. Kimbrough, associate professor of accounting, found that conference calls around merger announcements help companies gain credibility and favorably influence stock prices.

Kimbrough and his co-author examined 1,228 merger bids on Security Data Company’s (SDC) online database of domestic mergers and acquisitions that were announced between Jan. 1, 2002 and Dec. 31, 2006, focusing on economically important mergers where the role for voluntary disclosure is particularly strong. Companies in the sample had an average market capitalization of more than $2 billion. They found that bidders who hold conference calls at merger announcements experience announcement returns that are substantially higher than they would have otherwise experienced.

Conference calls were more likely to be used in especially large and complex mergers, where the intent of firm management is likely to be unclear to investors, and in stock-to-stock mergers, where there is a natural skepticism on the part of investors.

Investors react more favorably to conference calls because they allow managers to provide more information and directly address investors’ questions and concerns. The information expressed in conference calls also tended to be more forward-looking than that provided in company press releases.

“Much of the information you are going to provide are things that can’t be verified for some time, like the strategic rationale behind the merger, what the anticipated synergies might be,” says Kimbrough.

Conference calls have been in use since the mid-1990s and their use has steadily increased as the technology has improved. Disclosure is partially driven by investor demand but has proved to be a useful tool for companies, particularly those in high-tech industries or that have a business model that is hard to understand or operations that are particularly complex.

“Companies can build credibility by providing supporting detail for the high-level vision—this is why the companies are coming together, this is how we are going to achieve those benefits, these are the
benchmarks we are going to use as we march toward that vision," says Kimbrough.

Could a company get the same effect from providing more information in an expanded press release? Not really, says Kimbrough. Part of the effectiveness of a conference call comes from the opportunity to interact with analysts, answering questions as they arise and limiting potential misinterpretations by investors. For companies that genuinely have favorable private information to convey, a conference call is an effective vehicle for making its case to investors.

So why don’t all firms provide conference calls? There is an element of risk for companies—if managers are not able to quickly and confidently answer questions from analysts, or if they are not able to marshal sufficient evidence to make the company’s claims convincing, a conference call may prove more harmful than helpful. That is what happened when Pepsico acquired Quaker Oats. During their initial conference call, management wasn’t able to provide the information analysts asked for, leading the company to schedule a second conference call.

Investors react more favorably to conference calls because they allow managers to provide more information and directly address investors’ questions and concerns.

But by then analysts had soured on the deal and the company suffered a drop in stock prices.

Kimbrough cautions that the way managers comport themselves can make or break the success of a conference call. “Managers’ ability to convey assurance, competence and capability plays an essential role,” says Kimbrough. “Not only are there scripted remarks, but you have to make your case to analysts in an interactive setting. How you respond goes a long way toward establishing your credibility.”

“Voluntary disclosure to influence investor reactions to merger announcements: an examination of conference calls” was co-authored by Kimbrough and Henock Louis, Pennsylvania State University, is forthcoming from The Accounting Review. For more information, contact mkimbrough@rhsmith.umd.edu.
In 1990, Argentina’s wine exports were close to zero. By 2000, the country had captured 3 percent of the $14 billion global wine market. Rafael Corredoira, associate professor of marketing, examined the mechanisms put in place to encourage development in the wine industry in the neighboring wine-making provinces of Mendoza and San Juan, and the relationship between those mechanisms and the broader policy problems of development. Mendoza and San Juan account for 90 percent of wine production in Argentina. Both provinces started with similarly unproductive histories. But Mendoza became an industry leader, eventually producing 90 percent of Argentina’s wine exports, while San Juan lagged behind. Why?

The answer lies in the way the government of each province chose to encourage development. The province of Mendoza created government-sponsored institutions (GSI) to provide a variety of support services and resources to the wine-making value chain, such as hazard insurance, training, research and development, and export promotion. While the government of Mendoza provided some financing, GSIs created a setting to define problems and search for solutions at the industry level. The government of Mendoza stayed away from unilaterally setting the technical agenda or taking charge of finding the technical solutions. “The GSIs incorporated two rules that have unleashed the knowledge accumulated over years in these wine regions: GSIs must be inclusive, open to anyone in the industry willing to participate, and those who participate must contribute to problem identification and solutions,” says Corredoira. “Participants that are unable to contribute to the collective problem solving are sent to workshops to develop those skills before being allowed to join the groups again.”

Mendoza’s GSIs created a combination of new knowledge and interactive relationships for solving product development problems. Because vineyards in geographical locations have quite different soils and climates, experimentation is contextualized, which makes it harder to share knowledge and apply it elsewhere. To upgrade their product, wineries require wider collective knowledge resources. Upgrading the wine industry required coordination within the value chain to promote information sharing.

Localized industry associations already existed, but they didn’t facilitate this broad knowledge sharing, says Corredoira. Mendoza’s GSIs facilitated coordination and knowledge diffusion industry-wide, allowing a broad restructuring of the entire industry. Participating firms were incorporated into more diverse groups, with cross-cutting ties between different social and producer communities. The bridging quality of GSIs was institutionalized into their statutes by including members of both public and private entities on their boards. This combination of governance rules and network qualities gave Mendoza’s vineyards and wineries access to knowledge resources at a scale, scope and cost that...
had not existed before or in other provinces, and that no one association or government could provide individually.

San Juan’s government, on the other hand, rapidly imposed high-powered economic incentives to drive change in its wine industry. It privatized the largest winery and tried to attract new investment through a federally subsidized tax incentive. This strategy failed to overcome the barriers to knowledge flow and resulted in no broad-based product upgrades. Wineries and vineyards that had the resources took advantage of the tax breaks, but that didn’t lead to collaboration between players in the industry. Recognition of this failure came in 2002, when the San Juan government officially abandoned this approach and adopted Mendoza’s model.

The success of Mendoza’s efforts illustrates the impact thoughtful policy can have on an industry. “This is not a market approach—it is a government intervention,” says Corredoira. “And it was successful. But it’s important to note the way government approached it. They didn’t come in and say ‘here are the solutions.’ Instead, government provided support and a venue so the industry could solve problems itself.”

Public-private institutions may be a helpful mechanism for other nations looking to upgrade faltering industries or develop burgeoning industries—in clean technology, for example, or alternate energy sources.

Public-private institutions may be a helpful mechanism for other nations looking to upgrade faltering industries or develop burgeoning industries—in clean technology, for example, or alternate energy sources.

“Public-private institutions are very good instruments to teach firms how to learn,” says Corredoira. “It is not just passing on knowledge. These institutions can play a crucial role in developing that knowledge, creating networks of firms to encourage information-sharing, and teaching them how to learn from others.”

“Public-private institutions as catalysts of upgrading in emerging market societies” was co-authored by Corredoira; Gerald A. McDermott, University of South Carolina; and Gregory Kruse, University of Pennsylvania. It was published in the Academy of Management Journal. For more information, please contact rcorredo@rhsmith.umd.edu.
In today’s world, when consumers expect that the click of a mouse will result in a package arriving at their doorsteps the next day, the pressure on supply chains to run efficiently is rapidly increasing. Supply chains are much more than trucks, trains, and boats. Supply chain management has become a truly holistic business discipline, an end-to-end coordination process. It seeks to bring demand for goods and services into balance with supply, through companies cooperating and working together as a business ecosystem to serve a common customer base. It spans cradle-to-grave activities in manufacturing and services, from sourcing to production to distribution to the end customer, as well as any return flows from recalls.

The Smith School’s Supply Chain Management Center (SCMC) works to explore and understand the intersection of global supply chain management strategy and technology.

Created in 1996 by co-directors Sandor Boyson, research professor of logistics, business and public policy, and Thomas Corsi, Michelle E. Smith Professor of Logistics, the SCMC was the first academic center in the country devoted to extending the supply chain discipline through research, projects and curriculum development. It is still the only resource of its kind in the national capital region.

The center’s path-breaking work includes directing the Defense Advanced Research Project Agency’s Blue Ribbon Commission on Netcentricity and designing and prototyping advanced supply chain portals for the Air Force and the Army. The latter led to the center’s designation in 2001 as the Supply Chain Integration Center of the Office of the Secretary of Defense.

More recently, SCMC collaborated with SAIC to produce the Cyber-Supply Chain Assurance Reference Model, a first-of-its-kind cyber security tool. The model was highlighted as one of the most promising new concepts to control global information technology risks by the Department of Defense State of the Art Report on IT Risk Management.

“We made a diagnostic that the current state of cyber supply chains is at the point where physical product supply chains were over a decade ago, in terms of fragmentation and the lack of common management structure. There is limited coordination between IT supply chain players: software, hardware, network providers, and system integrators are not collaborating in an ongoing way to identify risks and gain visibility over end-to-end operations. This lack of visibility and strategic control is a major detriment in preserving cyber security,” Boyson says.

In recognition of its unique fusion of the supply chain management and cyber-security disciplines,
SCMC was commissioned in fall 2010 by the National Institute of Standards and Technology to survey the industry and make recommendations to the federal government regarding policies for IT supply chain risk management.

A major theme of the center has been its effort to consolidate the insights of global practitioners and thought leaders into a new science of supply chain more appropriate to the current era of high volatility. “X-SCM: The New Science Of X-Treme Supply Chain Management,” co-authored by Boyson, Corsi and Lisa Harrington and sponsored by the Council of Supply Chain Management Professionals and Sterling Commerce/AT&T, brings together the latest thinking about resilient network design, supply chain risk hedging and financial optimization. The center developed a real-time experiential game as a teaching complement to the book.


“With constant change, economic challenges, and the havoc that events such as Gulf oil spills, natural disasters, and terrorist threats can create, old models of balancing supply and demand are no longer effective,” Corsi says. “It is critical that industry and government leaders work together to address extreme business volatility issues in the global supply chain and we are happy we can provide the thought leadership to help guide some of those conversations.”

For more information on the Supply Chain Management Center, contact sboyson@rhsith.umd.edu or tcorsi@umd.edu.
Flight Delays Cost Passengers Billions

Mike Ball, Orkand Corporation Professor of Management Science, associate dean of research, and co-director of the National Center of Excellence for Aviation Operations Research (NEXTOR), published a study showing that in 2007 passengers traveling by plane were delayed by more than 28,000 years, costing them $16.7 billion in lost time. In total, flight delays in the United States cost $32.9 billion each year.

The study was conducted by researchers at the University of Maryland, College Park; Massachusetts Institute of Technology; the University of California-Berkeley; George Mason University; and Virginia Polytechnic Institute. The research was funded by the Federal Aviation Administration.

For more information, please contact mball@rhsmith.umd.edu.

Right Message, Right Timing

Rebecca Hamilton and Rebecca Ratner, associate professors of marketing, published a study with co-author Debora Viana Thompson, PhD ’06, to examine the likelihood of consumers purchasing a product when they imagined themselves using it either more or less than other consumers. Participants were asked to rate how often they’d use products such as video games, running shoes, grills and calculators, after being shown ads suggesting a certain frequency of use—using running shoes “every day” versus “every week,” for example. They found that if consumers don’t think they can meet the pace of product use set by other consumers, they’ll be less likely to purchase the product.

“Outpacing Others: When Consumers Value Products Based on Relative Usage Frequency,” will be published in the Journal of Consumer Research in April 2011. For more information, contact rhamilto@rhsmith.umd.edu or rratner@rhsmith.umd.edu.

Employee vs. Customer

Hui Liao, associate professor of management and organization, and her co-authors examined the causes of employee sabotage against customers in a recent study. 130 employees at a call center in China that provides customer service support for telephone and cell phone products were asked daily during a period of 10 working days to list any incidents when they had sabotaged customers that day. 88 percent of employees sabotaged customers at least once during the study period.

“Daily Customer Mistreatment and Employee Sabotage Against Customers: Examining Emotion and Resource Perspectives” is forthcoming from the Academy of Management Journal and is co-authored by Liao, Mo Wang, assistant professor of psychology; Yujie Zhan, doctoral candidate; and Junqi Shi, Peking University. For more information, please contact hliao@rhsmith.umd.edu.

Banks Are Better

Vojislav Maksimovic, Dean’s Chair Professor of Finance, studied 2,400 private-sector firms in China to determine if a formal banking system—even a dysfunctional one—is more or less beneficial than none. Data from the World Bank’s 2003 Investment Climate Survey showed that firms which received bank financing had significantly better outcomes than those financed through informal means. This upends conventional wisdom (and past financial research) that small, unsecured loans from family and friends or from local moneylenders or strongmen have fueled China’s remarkable growth.

“Formal versus Informal Finance: Evidence from China” was co-authored by Maksimovic; Meghana Ayyagari, PhD ’04, George Washington University; and Asli Demirguc-Kunt, of the World Bank; and published in The Review of Financial Studies. This research was partially funded by a grant from the National Science Foundation.

For more information, contact vmaksimovic@rhsmith.umd.edu.
Featured Researchers

**Gilad Chen**, professor of management and organization, received his PhD from George Mason University. His research focuses on work motivation, adaptation, teams and leadership, with particular interest in understanding the complex interface between individuals and the socio-technical organizational context.

**Rafael Corredoira**, assistant professor of management and organization, received his PhD from the Wharton School at the University of Pennsylvania. His research focuses on embedded exploration: how networks that originate from social ties, market dynamics, and institutional arrangements constrain and enable firms’ entrepreneurial search for innovative solutions. His current research examines how semiconductor firms’ search for innovations is shaped by their social networks, how social networks of wine and autopart firms drive upgrading capabilities in developing economies, and the evolution of efficiency frontiers in the treatment of addiction in the United States.

**Michael Kimbrough**, associate professor of accounting, received his PhD from Indiana University in Bloomington. His research interests focuses on corporate financial reporting, with particular emphases on firms’ voluntary disclosure practices and on accounting for intangible investment.

**Smith faculty present their latest research on topics that matter to you and your organization. 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.**

**ThoughtLeadership@Smith Breakfast Series**

**APRIL 15**
**Washington, D.C.**
**Making Social Media Work for Your Firm**
**David Godes**
**Associate Professor of Marketing**

Learn how to harness the power of word-of-mouth and social networking to drive sales and enhance your firm’s brand. This session will help you understand why people talk about your product or service and how to make your firm the subject of the conversation. And discover the surprising reason why loyal customers may not be your best prospect for word-of-mouth marketing.

**APRIL 29**
**Baltimore, Md.**
**How to Test Your Strategy**
**Oliver Schlake**
**Tyser Teaching Fellow of Management and Organization**

Lead smarter. This session on strategic management will help you detect the early indicators that your strategy isn’t working. Get tips on how to perform a fast course correction, and identify the 5 key steps to creating a strategy that will be successful for your firm.

**MAY 13**
**Washington, D.C.**
**Retaining Top Talent**
**Gilad Chen**
**Professor of Management and Organization**

Keep your best workers and ensure they are fully engaged on the job. This session will help you find the right time and the right tools to manage employee satisfaction. Learn not just how, but when, to measure employee satisfaction, as well as some useful techniques to help move the needle.

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 $15 for Smith School alumni, $25 for the general public, and $10 for current students (includes continental breakfast). For more information or to register, visit www.rhsmith.umd.edu/thoughtleadership

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801 W. Baltimore Street
There is a lot Ed Glabus can’t tell you about his work. As executive vice president and chief administrative officer at ManTech International, a company that provides innovative technologies to the Department of Defense and the intelligence community for mission-critical national security programs, Glabus is part of a unique and very, very close-mouthed industry.

ManTech, a Fortune 1000 company with 10,000 employees around the globe, is a heavy hitter in the highly competitive federal contracting industry that thrives around the nation’s capital. It has provided cybersecurity help to the FBI and technical and engineering support to Navy aircraft and weapons systems. The company’s client list includes most military and national security agencies you’ve heard of, and some you haven’t. Glabus’s team supports ManTech personnel through risk management, IT, security, real estate, and program execution and quality services across the U.S., but also in places as far-flung—and dangerous—as Afghanistan and Iraq.

So there is a lot Glabus can’t share about his work. One thing he can talk about, however, is his appreciation for the business education he is receiving at the Smith School.

Glabus describes his industry as “fast-paced and changing fast.”

So Glabus, a former Army intelligence officer whose career included various command and staff tours in the U.S. and overseas, decided that it was time to add to his toolkit of skills.

“What I really needed to complement my military training was business training,” says Glabus. He is participating in the Smith School’s miniMBA2.0 certificate program. “I’m taking a variety of courses. They’re broad, delivered fast-paced, very valuable.”

Glabus wanted better ways to make priming and supplier management decisions. He says his classes were invaluable. “I was exposed to new techniques I hadn’t used in planning operations, new viewpoints that caused me to re-look at old challenges and come up with innovations,” says Glabus.

One of those innovations came from a class Glabus took with David Godes, professor of marketing, who was instrumental in helping Glabus identify a new tool for analyzing social media. This wasn’t uncharted territory for the company. ManTech has a successful track record in this arena, including the creation of a social networking tool called “A-Space,” known tongue-in-cheek as “Facebook for spies.” (A-Space is used by 16 different security and intelligence agencies to share information about terrorist activities and troop movements around the world). Godes and Wolfgang Jank, associate professor of management science and statistics, introduced Glabus to NodeXL, a brand new tool under development with University of Maryland faculty that allows the study of social network structures in social media.

Mark Schlottach, ManTech’s vice president for program execution and quality, is now attending the Smith School’s miniMBA2.0 program on Glabus’ recommendation. Glabus sees this as an important investment, not just in individual career development but also in ManTech’s future.

“We know that we have to keep advancing our intellectual capital,” says Glabus. “Executive education programs are a key component in that effort to stay competitive.”

Learn more about the miniMBA2.0 certificate program by contacting Mukul Kumar, executive director of executive education, mkumar@rhsmith.umd.edu.
UNIVERSITY OF MARYLAND

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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The Robert H. Smith School of Business is an internationally recognized leader in management education and research. One of 12 colleges and schools at the University of Maryland, College Park, the Smith School offers undergraduate, full-time and part-time MBA, executive MBA, MS, PhD, and executive education programs, as well as outreach services to the corporate community. The school offers its degree, custom and certification programs in learning locations in North America and Asia. More information about the Robert H. Smith School of Business can be found at www.rhsmith.umd.edu.
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