SEMINARS AT FBA BETWEEN JANUARY 2020 AND DECEMBER 2020

Seminar by Kwon Gi Mun @ MA-330 (MA Building, Umit Berkman Seminar Room)

Jan 14 @ 1:40 pm – 2:40 pm

"Designing Hydro Supply Chains for Energy, Food, and Flood"

by Kwon Gi Mun

Fairleigh Dickinson University

Abstract

We identify the unique challenges and tradeoffs in hydro system development for developing countries and provide a supply chain perspective to expand these countries' hydro networks for energy, irrigation, and flood control. The interconnected issues of water, energy, food, and flood are among the most formidable challenges faced by developing countries worldwide. The development of hydro systems has the potential to address all these issues simultaneously and thus has been prioritized in the international community to reduce poverty and promote sustainable economic development. We develop a new integrated and dynamic modeling framework to capture the conflicts of these issues, explore the synergy among different sectors and maximize overall benefits. The framework integrates hydro plant location and distribution decisions for both power and water; it endogenizes the budget and thus captures the dynamic interaction between water resource development and economic growth. We derive analytical results in stylized models to develop general insights on the key driving forces and build a decision support model to solve large-scale problems in practice. By applying the model to the case of Pakistan, we provide solutions that outperform common practices in all aspects of energy, irrigation, and flood control.

Seminar by Zafer Kanık @ MA-330 (MA Building, Umit Berkman Seminar Room)

Jan 29 @ 1:40 pm – 2:40 pm

"From Lombard Street to Wall Street: Systemic Risk, Rescues, and Stability in Financial Networks"

by Zafer Kanık

Massachusetts Institute of Technology / Department of Economics

Abstract

Banks' obligations to each other involve counterparty risks. In case of a failure, the losses of counterparties of the failing bank are exacerbated by additional bankruptcy costs. By also taking the contagion risk into account, banks' potential losses incentivize them to rescue each other whenever rescues are less costly than absorbing the losses. Endogenously arising rescues reverse the standard intuitions from the financial contagion literature: A system-wide contagion risk does not necessarily imply financial instability and, surprisingly, leads to greater stability in certain networks where banks more than undo the contagious failures and take actions against any potential failure. In a framework where capital transfers between banks are more efficient than government bailouts, I characterize welfare-maximizing networks and show that they are connected through i) intermediate levels of interbank liabilities per bank, and ii) no clustering of interbank exposures among any subset of banks. Consequently, financial stability is determined by the potential bankruptcy losses internalized by banks and the loss absorption capacity of the system (i.e., banks' aggregate capital). The results provide additional insights into the historical debate on bank rescues and help us better understand the implications of current interbank regulations. The findings also offer plausible explanations for the selective rescues in the 2007-2009 period.

Seminar by Ümit Yılmaz @ MA-330 (MA Building, Umit Berkman Seminar Room)

Feb 7 @ 1:40 pm – 2:40 pm

"Why Do Firms Borrow from Foreign Banks"

by Ümit Yılmaz

Universita della Svizzera Italiana

Abstract

I examine U.S. firms' motives for participating in cross-border syndicated loans with foreign banks. Firms borrowing from foreign lead arrangers pay higher interest rates on their loans compared to firms borrowing from local banks, controlling for firm and loan characteristics and using matched sample analyses. These firms experience an increase in foreign income and international M&A activity after the loan, which suggests that global expansion of operations is an important reason why a firm borrows beyond borders. I also find that loan spreads increase with the geographic and cultural distance between borrowers and foreign lenders, consistent with higher information acquisition and monitoring costs.

Seminar by Saad Ali Khan @ MA-330 (MA Building, Umit Berkman Seminar Room)

Mar 3 @ 10:40 am – 11:40 am

"Intraday Jump Dynamics: What Predicts Price Jumps?"

by Saad Ali Khan

Queen's University

Abstract

This paper examines the relationship between liquidity fragmentation and price jumps. Unexpected changes in intraday liquidity fragmentation predict jumps and jump direction. A shock to ask (bid) side liquidity fragmentation increases the probability of positive (negative) jumps by 36%. Decomposing jumps into information and noise components we show that fragmented jumps are noisier. Our work suggests that liquidity suppliers predict jumps and actively manage their exposure to large order imbalances accompanying jumps by fragmenting liquidity. This makes jumps predictable as liquidity suppliers' information is reflected in liquidity fragmentation, minutes before the arrival of a jump.

Seminar by Bünyamin Önal @ MA-330 (MA Building, Umit Berkman Seminar Room)

Mar 6 @ 1:40 pm – 2:40 pm

"The Elephant (or Donkey) Outside the Boardroom: Government Political Leniency and Executive Compensation"

by Bünyamin Önal

Sabancı University

Abstract

We examine the impact of governments on executive compensation based on their leniency on the left-right political spectrum. We find that left-leaning governments have a significant negative impact on CEO pay relative to their right-leaning counterparts. We further show that left restrains powerful CEOs from extracting rents, and this mitigates its overall negative impact on firm value. However, left also imposes limits on performance- and promotion-based incentives for top executives, and this exacerbates its negative value impact. Our results are robust to a battery of endogeneity corrections and robustness checks. We conclude that politics plays a value-influencing role in executive compensation.

Keywords: Executive compensation; Politics; Managerial Power; Efficient Contracting; Firm value

JEL Codes: G34, G39

Online Seminar by Gökçe Esenduran

May 15 @ 1:40 pm – 2:40 pm

"Customization and Returns"
by Gökçe Esenduran
Krannert School of Management

Abstract

Recent advances in information technology, advanced manufacturing (robotics, 3D printing, etc.) and logistics allow firms to customize their products to the specifications of individual consumers, who, of course like such products more than the standard ones. However, in an unlikely event that customized products do not match expectations, consumers often feel entitled to a return.This creates a non-obvious tension, as firms can salvage little value from customized products' returns.

We examine this tension via a Stackelberg game model in which the firm (leader) decides the prices and returns policies for its products (customized, standard, or both), and consumers (followers) decide which product to buy given the initial noisy valuations, and whether, upon experiencing the product, to return it or not. Both parties act strategically: forward-looking consumers incorporate the real option value of possible returns into their initial purchasing decisions, and the firm incorporates consumers' best purchase and return response into its pricing and returns policy decisions. Beyond this overarching principle, our model combines the approaches from both customization and returns bodies of literature, and possesses multiple realistic features: Hotelling-like heterogeneity in consumer preferences, uncertainty in ex-post valuations and the associated stochastic dominance for customized versus standard products, and increase in valuations from customization ("IKEA effect"), — all in an elegant stylized model amenable to the analytical investigation. Our main insight is two-fold. First, we show that the benefits from allowing customized products returns are smaller than for standard products, but the costs are bigger, and thus allowing returns of customized products is rarely profitable by itself. However, — and most importantly, — we also show that a firm that offers both standard and customized products could use customized products returns policy as a way to nudge consumers to self-select from buying standard products toward buying customized, and by doing so reduce returns. Since returns represent an enormous cost for manufacturers and retailers alike, this novel linkage between customization and returns provides insight to numerous firms across multiple industries, and has the potential to affect millions of consumers.

Biosketch

Dr. Gökçe Esenduran is an Assistant Professor in Operations Management at Krannert School of Management, Purdue University. She received her PhD in Operations Management from Kenan-Flagler Business School, the University of North Carolina at Chapel Hill. Before joining Purdue, she was an associate professor of operations management at the Ohio State University. Gökçe's current research primarily focuses on sustainable operations. Whether driven by regulations or taken voluntarily, the true sustainability impact of firms' decisions is shaped by the interactions of supply chain members, market competition, and consumer preferences. She studies the interplay between these factors and their effect on firms' sustainability performance. Gökçe's research has been published or accepted for publication in journals such as *Manufacturing & Service Operations Management, Production and Operations Management, Journal of Operations Management, IISE Transactions,* and *Naval Research Logistics*. She received the Krannert Young Faculty Scholar Award in 2019. Gökçe has taught courses across all programs including Data Analysis for Managers, Sustainable Operations, Operations Management, and Doctoral Seminars on Sustainable Operations and Game Theory. She is an associate editor for Decision Sciences Journal, and she actively serves as a referee for top-tier OM journals. She served as the chair/co-chair of several tracks in POMS Conferences, including the Environmental Operations, Economics Models in Operations Management, Closed-Loop Supply Chains, and Marketing and OM Interface. She also served as the treasurer of Women in OR/MS in 2014-2015, the secretary and then the president of the POMS College of Sustainable Operations in 2016-2018.

Online Seminar by Merve Coşkun

May 18 @ 5:00 pm – 6:00 pm

"Store Disorderliness Effect: Shoppers' Competitive Behaviors in a Fast-Fashion Retail Store"

by Merve Coşkun
University of Illinois

Abstract

Several factors like product assortment, pricing tactics and promotional activities influence shopper decisions in a retail store. Beyond general marketing related factors, store atmospheric cues also have critical importance to impact customer perceptions, experiences and purchase decisions. Atmospherics, or the retail store environment refer to both tangible and intangible aspects of a retail store design and can alter the customer experience. When a customer enters a store, she/he first and mostly pays attention to shelves, merchandise, store layout and human crowding. So the visual complexity and clutter derived from disorganized store layout, high human and spatial crowding can influence shoppers' cognitive and affective responses. The purpose of this research is to understand the effect of human crowding and store messiness as dimensions of store disorderliness on shoppers' competitive behaviors as in-store hoarding and in-store hiding through perceived scarcity and perceived competition. Experimental design was adopted to manipulate the store messiness and human crowding within a shopping scenario. Results suggest when there is high crowding and messiness in a retail store, shoppers perceive scarcity in the environment and also feel competition among themselves and other customers. These perceptions influence shoppers' competitive behaviors in the store. Results suggest a direct effect of human crowding on in-store hoarding and direct effect of store messiness on in-store hiding.

Online Seminar by Ton De Kok

May 29 @ 1:40 pm – 2:40 pm

“Multi-echelon inventory theory and practice: some ideas for alignment”

by Ton De Kok
Eindhoven University of Technology

Abstract

Multi-echelon inventory theory has developed over six decades from concepts like echelon base stock policies to software for “optimizing” real-world supply chains. Multi-echelon inventory theory is a field in which the same problem is modelled differently, whereby optimal solutions may be different. Thus it is important to validate modelling assumptions. We have done so for a large number of real-life cases by using data on Bills of Materials, lead times, mean and average of independent demand for items, mean inventory on-hand, and mean order sizes as inputs, after which we used the model analysis to compute the end-item fill rates or ready rates as outputs. These model service levels we compared with the actual service levels, finding on aggregate level model outputs and actual values were close. This provided solid ground to continue modelling real-world supply chains assuming i.i.d. independent demand for items, constant item lead times, and explicit modelling of material constraints that imply the need for allocation over time of child item availability to parent items.

Though the concept of so-called Synchronized Base Stock policies has been successful in modelling real-world supply chains, many challenges remain, such as multi-sourcing, finite capacity, and integration of forecasting and inventory management. In practice, inventory management is supported by ERP and APS systems that are based on the rolling scheduling principle. As many of the underlying models are MILP formulations, it is feasible to include many types of constraints and options into these models, such as material and capacity availability constraints, and multi-sourcing. However, it is not obvious how to set safety stock parameters that ensure service level targets are met under rolling scheduling.

In this presentation we discuss a number of building blocks that may allow to set safety stock parameters in rolling schedule mode formulations for multi-item multi-echelon inventory systems. These building blocks comprise the so-called _net stock translation property, _the _safety stock adjustment procedure_, and _quadratic programming_.

We discuss the issue of degeneracy of MILP formulations that negatively impacts the performance of such formulations under uncertainty. As the research conducted so far is primarily explorative, we expect that the modelling approach presented is promising for both theoretical and applied research.

Bio:

Ton de Kok received his PhD from the Free University of Amsterdam in 1985, after which he joined the Philips Electronics Centre for Quantitative Methods (CQM. In 1990, he became Manager Logistics Innovation of Philips and a Certified Fellow in Production and Inventory Management (CFPIM) of the American Production and Inventory Control Society (APICS). In 1991 he was appointed part-time professor in Industrial Mathematics at TU/e and he has been a full time professor Operations Management since 1992. Previously, he was also head of Operations Planning, Accounting, and Control at TU/e.

Online Seminar by Rasim Serdar Kurdoğlu

Oct 16 @ 1:40 pm – 2:40 pm

"ARGUING TO DEFEAT: ERISTIC ARGUMENTATION AND IRRATIONALITY IN RESOLVING MORAL CONCERNS"

by Rasim Serdar Kurdoğlu

Bilkent University

Abstract

By synthesizing the argumentation theory of new rhetoric with research on heuristics and motivated reasoning, we develop a conceptual view of argumentation based on reasoning motivations that sheds new light on the morality of decision-making. Accordingly, we propose that reasoning in eristic argumentation is motivated by psychological (e.g., anxiety reduction) or material (e.g., vested interests) gains that do not depend on resolving the problem in question truthfully. Contrary to heuristic argumentation, in which disputants genuinely argue to reach a practically rational solution, eristic argumentation aims to defeat the counterparty rather than seeking a reasonable solution. Eristic argumentation is susceptible to arbitrariness and power abuses; therefore, it is inappropriate for making moral judgments with the exception of judgments concerning moral taboos, which are closed to argumentation by their nature. Eristic argumentation is also problematic for strategic and entrepreneurial decision-making because it impedes the search for the right heuristic under uncertainty as an ecologically rational choice. However, our theoretical view emphasizes that under *extreme* uncertainty, where heuristic solutions are as fallible as any guesses, pretense reasoning by eristic argumentation may be instrumental for its adaptive benefits. Expanding the concept of eristic argumentation based on reasoning motivations opens a new path for studying the psychology of reasoning in connection to morality and decision-making under uncertainty. We discuss the implications of our theoretical view to relevant research streams, including ethical, strategic and entrepreneurial decision-making.

Online Seminar by Selçuk Karabatı

Oct 22 @ 1:40 pm – 2:40 pm

“Randomized Pricing of a Storable Good in the Presence of Consumer Stockpiling”

by Selçuk Karabatı
Koç University

Abstract

Randomized pricing is a frequently observed practice in online retailing. Strategic customers adjust their purchase quantities and/or time their purchases by taking into account their beliefs about the timing of deals. We study a randomized pricing problem of an online retailer selling a single storable product to two customer segments that are heterogeneous in their product valuations and holding costs. To maximize their utility, these customers can stockpile a product without increasing their consumption. The retailer’s objective is to maximize expected revenue using a randomized pricing strategy that serves as an intertemporal price discrimination mechanism. We study two cases where customers act strategically using endogenously or exogenously set stockpile-up-to levels in response to randomized pricing. We first develop a model for the expected revenue maximization problem when stockpile-up-to levels are endogenous, and present a decomposition scheme to effectively find the optimal randomized policy. For the case of exogenously set stockpile-up-to levels, we characterize the retailer’s optimal price randomization strategy with a first-order equation. With a computational study, we shed light on the segments’ attributes that make price randomization an attractive strategy for the retailer. Our analysis indicates that, from the retailer’s viewpoint, price randomization can be an effective alternative to commitment to a single and time- independent price in the presence of segments having similar sizes and marked differences in product valuations. We finally demonstrate that the results are also valid for the case of patient customers that wait to make one-time purchases in anticipation of a lower future price.

Online Seminar by Atilla Onuklu

Oct 30 @ 3:00 pm – 4:00 pm

"Regulative Distance and Diversity in International Innovation Teams: Mechanisms and Contingencies"

by Atilla Onuklu

Temple University

Abstract

The purpose of this study is to analyze the relationship between institutional distance and international innovation connections. Globalization constantly divides the global value creation into finer slices and ironically increases the importance of 'location'. This more-connected-than-ever global value creation impacts the composition and diversity of innovation projects. Although we know a lot about the performance implications of diversity, our knowledge about antecedents of diversity is scarce – *which factors are influential in bringing different local knowledge together?* This study focuses on the effect of institutional environment on the diversity of innovation projects. More specifically, we focus on regulative pillar that includes laws, rules and regulations as an important aspect of institutional environment. We facilitate from Turkey's candidacy process to the European Union as a proxy for changing regulative distance. We follow the regulative harmonization process through a novel regulative progress index that we created (Weighted Average Regulative Progress -WARP- Index) by applying principal component analysis to the European Commission reports. Our study shows that regulative convergence does not directly affect the innovation collaborations, instead the effect is through several mechanisms and factors. We found that the significance and magnitude of relationship between diversity and regulative convergence is conditional on the direction of the connectivity, participation and origin of MNCs in the project, level of complexity of the technology involved, and the nature of the regulation that is being harmonized. This analysis contributes to the IB literature by providing a bridge between institutional factors and connectivity in innovation. It also offers insights into the influence of factors and mechanisms through which regulative harmonization affects diversity of the innovation.

Online Seminar by Omar Itani

Nov 6 @ 1:40 pm – 2:40 pm

“’Us’ to co-create value and hate ‘them’: Examining the interplay of consumer brand identification, peer identification, value co-creation among consumers, competitor brand hate, and individualism”

by Omar Itani
Lebanese American University

Abstract

New changes in the market are disrupting how customer value is co-created and how brands compete to achieve their marketing and business goals. Accordingly, many research questions on how customer relationship with brands and peer customers may influence customer-to-customer value co-creation and competitor brand hate are still with limited answers. For that, the purpose of this study is to identify the role of identity-based relationships in value co-creation among customers and competitor brand hate leading to customer and business outcomes. To examine this role, the study integrates social identity theory, identity-based marketing perspective, and self-construal theory. Findings show that customer brand identification and peer identification are drivers of value co-creation among customers, which in turn result in favorable outcomes at the customer and brand levels. Only customer brand identification drives customers to hate competing brands, which motivates customers to exert social influence in favor of their brand and to hold additional repurchase intentions. Customer brand identification and peer identification play different roles in motivating customers to co-create value with their fellows and/or drive customers to feel hatred toward competing brands contingent on the degree of customer individualism, which is found to have a dual moderating effect.

Online Seminar by Bahaaeddin A.M Alareeni

Nov 11 @ 1:40 pm – 2:40 pm

“’ ESG impact on performance of US S&P 500-listed firms”

by Bahaaeddin A.M Alareeni

Middle East Technical University

Abstract

Purpose – This paper aims to investigate whether there are relationships among corporate disclosure of environmental, social and governance (ESG) and firms’ operational (ROA), financial (ROE) and market performance (Tobin’s Q), and if these relationships are positives or negatives or even neutral.Design/methodology/approach – The study sample covers US S&P 500-listed companies during the period 2009 to 2018. Panel regression analysis was used to examine the study hypotheses and achieve the study aims.Findings – The results showed that ESG disclosure positively affects a firms’ performance measures.However, measuring ESG sub-components separately showed that environmental (EVN) and corporate social responsibility (CSR) disclosure is negatively associated with ROA and ROE. EVN and CSR disclosure is positively related to Tobin’s Q. Further, corporate governance (CG) disclosure is positively related to ROA and Tobin’s Q, and negatively related to ROE. More importantly, ESG, CSR, EVN and CG tend to be higher with firms that have high assets and high financial leverage. Furthermore, the higher level of ESG, EVN, CSR and CG disclosure, the higher the ROA and ROE. Originality/value – The study limns a vision of the role of ESG on firm performance. This study tries to determine whether there are relationships among all ESG disclosure and FP, and if they are positive, negative or even neutral.

Online Seminar by Sheikha Alia

Nov 13 @ 1:40 pm – 2:40 pm

“’ The Impact of Interfirm Envy on Risk-Taking ”

by Sheikha Alia

Koç University

Abstract

In the race for scarce market resources, top management continually evaluate the performance of their firms against other similar firms. Given that the identity of top management is tied with that of their firms, an objective or perceived inadequate appraisal of their firm compared to another may elicit feelings of envy. In this paper, I introduce the concept of interfirm envy as a situational form of envy, when top management socially compare their firm with another (perceived) similar firm (but not specific individuals within the other firm). I empirically investigate its impact on managerial risk-taking, through the underlying mechanism of the need to differentiate. I also examine the moderating role of self-construal in this relationship. Using three multi-method studies, one survey-based study and two experimental studies, I found that interfirm envy leads to a need to differentiate, which then facilitates a willingness to take risks. Furthermore, I show that managers tend to respond differently to envy based on their self-construal, independent and interdependent.

Online Seminar by Serdar Sayman

Nov 16 @ 1:40 pm – 2:40 pm

“A Reference-Dependent Utility Model of Attraction and Compromise Effects”

by Serdar Sayman
Koç University

Abstract

Attraction effect refers to increased preference for a *target* option relative to its *competitor* when a third option (*decoy*) dominated by the target is present. *Compromise* effect is for the case where the decoy makes the target the intermediate option. We submit that a reference-dependent utility model can accommodate both effects. More specifically, utility includes both regular (consumption) and reference-dependent (gain-loss) terms; and any option in the choice set can serve as reference with a respective probability. We examine how the incumbents’ utilities change with the position of the decoy in the attribute space and show that decoy benefits the target (i.e., the closer incumbent), in accord with the conceptualization of attraction and compromise effects. We identify that for both context effects, the target gains advantage due to buyers who treat the decoy as the reference in the extended set but would have treated the competitor (i.e., further incumbent) as the reference in the core set. A novel implication of our model is empirically tested and supported.

Online Seminar by Ata Can Bertay

Nov 20 @ 1:40 pm – 2:40 pm

“The Finance Wage Premium: The Dutch Case”

by Ata Can Bertay

Sabancı University

Abstract

We use a massive matched employer-employee database to identify the financial wage premium in the Netherlands. Using this data, we start by documenting the evolution of the finance industry over the period 2006-2018. Perhaps surprisingly, we show that the excessive wage in the finance industry steadily increased over the sample period despite the Global Financial Crisis and the European Debt Crisis. Consistent with the substitution of capital for unskilled labor to exploit technical change, we also observe that the supply of high-skilled workers and the capital associated with information and computer technologies (ICT) increased rapidly over the period 2006-2018. Guided by these facts, we study if the finance wage premium is explained by ICT capital-skill complementary at industry level when controlling by the observed and unobserved worker and firm characteristics. Contrary to a long literature documenting an excessive and unexplained wage premium in the finance industry, we find that the finance wage premium is -3%.

Online Seminar by Ralph Hertwig

Nov 27 @ 10:00 am – 11:00 am

"How Experimental Methods Shaped Views on Human Competence and Rationality"

by Professor Ralph Hertwig

Director of Centre for Adaptive Rationality, Max Planck Institute for Human Development (Germany)

Abstract

Within just 7 years, behavioral decision research in psychology underwent a dramatic change. In 1967, Peterson and Beach (1967a) reviewed more than 160 experiments concerned with people's statistical intuitions. Invoking the metaphor of the mind as an intuitive statistician, they concluded that "probability theory and statistics can be used as the basis for psychological models that integrate and account for human performance in a wide range of inferential tasks" (p. 29). Yet in a 1974 Science article, Tversky and Kahneman rejected this conclusion, arguing that "people rely on a limited number of heuristic principles which reduce the complex tasks of assessing probabilities and predicting values to simple judgmental operations" (p. 1124). With that, they introduced the heuristics-and-biases research program, which has profoundly altered how psychology, and the behavioral sciences more generally, view the mind's competences and rationality. How was this radical transformation possible? We examine a previously neglected driver: The heuristics-and-biases program established a experimental protocol in behavioral decision research that relied on described scenarios rather than learning and experience. We demonstrate this shift in methods with an analysis of 605 experiments which shows that the descriptive protocol has dominated post-1974 research. Specifically, we examine two lines of research addressed in the intuitive-statistician program (Bayesian reasoning and the conjunction fallacy) and two lines of research spurred by the heuristics-and biases program (framing and anchoring and adjustment). We conclude that the focus on description at the expense of learning has profoundly shaped the influential view of the error-proneness of human cognition.

Bio

Professor Ralph Hertwig studies human cognitive abilities, bringing together concepts and methods from psychology, neuroscience, economics, philosophy, biology, and mathematics. He investigates how biological cognitive strategies (heuristics) arise, perform, and vary under natural resource constraints. He is particularly eminent for his research on decision-making under uncertainty.

Online Seminar by Behrooz Pourghannad

Nov 30 @ 5:00 pm – 6:00 pm

“Is Kindness the Magical Spell? The Role of Information and Reciprocity in Revenue-sharing Crowdfunding”

by Behrooz Pourghannad

University of Minnesota

Abstract

We consider an entrepreneur funding his project via a revenue-sharing crowdfunding campaign. The early investor (insider) has a social tie with the entrepreneur and is informed about the future revenue of the entrepreneur’s project. The investor who arrives later (outsider) is uninformed about the future revenue of the entrepreneur’s project and makes an investment after observing the insider’s investment. The insider has reciprocity toward the entrepreneur and considers both her own payoff as well as the entrepreneur’s payoff in making her investment decision. We find that if the reciprocity is higher than a threshold, the separating equilibrium may not exist, and the insider cannot signal the future project’s revenue via distorting her investment. Moreover, when the separating equilibrium exists, surprisingly, information asymmetry improves investors’ surplus.

Bio

Behrooz Pourghannad is a postdoctoral fellow at the Institute for Mathematics and its Application (University of Minnesota) and the Kern Center for the Science of Health Care Delivery (Mayo Clinic). Behrooz’s research focuses on business model innovation, healthcare, and supply chain management. Behrooz’s research draws on several methodologies including game theory, laboratory experiments, and machine learning. Behrooz’s research has been recognized with several awards including INFORMS Aviation Application, IBM Service Science, and POMS College of Behavior in Operations Management Junior Scholar Paper Competition. His papers have been published in Production and Operations Management and Transportation Science and his more recent works are under revision at Manufacturing & Service Operations Management. Behrooz received a B.S. degree in Industrial Engineering from Azad University, an M.A. in Mathematics from Sabanci University, an M.A. in Business Administration from the University of Michigan, and a Ph.D. in Industrial Engineering from the University of Minnesota.

Online Seminar by Nazlı Gürdamar Okutur

Dec 1 @ 1:40 pm – 2:40 pm

“Start with the Cause: How Constructing Charity Portfolios Affects the Pain of Paying and Total Contributions Made”

by Nazlı Gürdamar Okutur
London Business School

Abstract

How does the manner in which people construct donation portfolios affect the amount of money they choose to give? Nine studies (N = 5,635) show that when donating to multiple charities, individuals contribute more money when they first identify which charities to support in advance of determining how much money to allocate than vice versa. This effect holds regardless if charity options are selected from a list (Studies 1, 2, 3a, 4, 5) or are self-determined (Studies 3b, 6a, 6b, 7), and does not go away when participants deliberate over the worthiness of each charity option in advance (Study 5). Rather, the authors propose that individuals feel greater pain in parting with their money when the target charities are not yet determined, causing them to donate less than they would after they have actively determined their target charities (Studies 6a, 6b, 7). The authors discuss the importance of accounting for the pain of paying when developing theoretical accounts of charitable giving and additionally propose recommendations to choose architects and practitioners in the design of fundraising platforms.

Online Seminar by Özlem Akın

Dec 4 @ 1:40 pm – 2:40 pm

“Corporate Governance and Excessive Risk-Taking in Banks: Lessons from Spain”

by Özlem Akın

Özyeğin University

Abstract

Using a unique borrower-lender matched dataset on mortgage loans in Spain and a novel hand collected data on top executives’ education, experience, and political connection, we explore the effect of board characteristics on bank’s excessive risk-taking behavior. We find that having better educated and more experienced executives leads to lower risk-taking in banks. We further investigate the relationship between board characteristics and over-appraisal behavior. In the Spanish case, the fact that appraisal companies were mostly owned by banks led to a situation in which the LTV limits were used to generate appraisal values adjusted to the needs of the clients, rather than trying to appropriately represent the value of the property. Our results indicate that this tendency towards over-appraisal will be lower in banks headed by more experienced and better educated executives. Finally, we examine the effect of corruption on over-appraisal behavior. We consider over-appraisal as a type of fraud and test whether in regions with higher corruption level fraud increases. Our results confirm this hypothesis. We observe higher over-appraisal in banks whose head office is in a region with lower transparency levels and higher levels of corruption. All these results are important for policy makers.

Online Seminar by Ali Hassanzadeh Kalshani

Dec 9 @ 7:00 pm – 8:00 pm

How to Conclude a Suspended Sports League?

by Ali Hassanzadeh Kalshani

Paul Merage School of Business University of California Irvine

Abstract

Professional sports leagues may be suspended due to various reasons such as the recent COVID-19 pandemic. A critical question the league must address when re-opening is how to appropriately select a subset of the remaining games to conclude the season in a shortened time frame. Despite the rich literature on scheduling an entire season starting from a blank slate, concluding an existing season is quite different. Our approach attempts to achieve team rankings similar to that which would have resulted had the season been played out in full. We propose a data-driven model which exploits predictive and prescriptive analytics to produce a schedule for the remainder of the season comprised of a subset of originally-scheduled games. Our model introduces novel rankings-based objectives within a stochastic optimization model, whose parameters are first estimated using a predictive model. We present simulation-based numerical experiments from previous National Basketball Association (NBA) seasons 2004-2019, and show that our models are computationally efficient, outperform a greedy benchmark that approximates a non-rankings-based scheduling policy, and produce interpretable results. Our data-driven decision-making framework may be used to produce a shortened season with 25-50 % fewer games while still producing an end-of-season ranking similar to that of the full season, had it been played. We also suggest how to conclude the 2019-20 NBA season.

Online Seminar by Kathy Yuan

Dec 11 @ 1:40 pm – 2:40 pm

Safe Assets as Balance Sheet Multiplier

by Kathy Yuan

London School of Economics

Abstract

Risky and information sensitive assets, such as mortgage and bank loans, are often pledged as collateral to overcome the limited commitment problem but they are costly to produce and their funding capacity is limited due to adverse selection. Safe assets, such as reserves and treasury bonds, are free of adverse selection and hence are information insensitive. Safe assets can also be used as collateral but are even costlier to hold than risky assets. We demonstrate a complementarity between the use of safe and risky assets as collaterals. Safe assets facilitate the production of risky collaterals, increase borrowers' leverage and expand the balance sheet. Complementaries arise because safe assets lower adverse selection and coordinate beliefs in selecting the liquid equilibrium. We allow for joint design of borrowers' asset and liability and show liquid debt/illiquid equity tranches emerge as optimal liability. In facilitating borrowing safe assets and liquid debts are substitutes, but in the optimal design of the borrower's balance sheet they are complements. If safe assets become cheaper to hold then the borrower will also hold more liquid debt and vice versa. The theory has implications on the optimal balance sheet (asset-liability) compositions of banks and their role as liquidity producers, excess cash holdings for corporations, and also for monetary and financial policies.

Online Seminar by Nazlı Sönmez

Dec 14 @ 1:40 pm – 2:40 pm

Can Shared Service Delivery Increase Customer Engagement? A Study of Shared Medical Appointments

by Nazlı Sönmez

London Business School

Abstract

Customers and providers alike often consider one-on-one service delivery to be ideal, assuming – perhaps unquestioningly – that devoting individualized attention maximizes customer engagement and improves outcomes. Alternatively, shared service delivery, in which customers are served in batch, may, through the dynamics of group interaction, lead to increased customer engagement. On the other hand, the loss of privacy and personal connection in shared delivery models may undermine engagement and performance. To explore this trade-off, we conducted a randomized controlled trial with 1,000 patients who were undergoing glaucoma treatment over a three-year period at a large eye hospital. Using verbatim and behavioral transcripts from over 20,000 minutes of video recorded during our trial, we examine how shared medical appointments (SMAs) – in which groups of patients with similar conditions meet with a doctor simultaneously, and each receives one-on-one care in turn – impact patients' engagement during their appointments. Patients who experienced SMAs asked 37.2% more questions per minute, made 8.2% more comments per minute, answered 3.6% more questions per minute, and exhibited higher levels of non-verbal engagement across a wide-array of measures (attentiveness, positivity, head wobbling or 'talai taḷḷāṭṭam' in Tamil – a South Indian gesture to signal agreement or understanding – eye contact and end-of-appointment happiness), relative to patients who attended one-on-one appointments. These results shed light on the potential for shared service delivery models to increase customer engagement and enhance service performance.

Bio

Nazlı Sönmez is PhD Candidate in the Management Science and Operations department at London Business School, advised by Prof. Kamalini Ramdas. She also works with Associate Prof. Ryan W. Buell from Harvard Business School and Prof. Sarang Deo from Indian School of Business. Her research goal is to use data and models to better understand operational innovation in healthcare delivery and help solve real problems in this area. Her current research focuses on healthcare delivery interventions for creating better patient outcomes, and access to healthcare through collaborations with the Aravind Eye Hospital, in India and the Cooper University Health Care, in Camden, New Jersey. Prior to starting her PhD, Nazlı got her Bachelor of Science and Master of Science degrees in Industrial Engineering at Bilkent University, where she received the Academic Excellence in Master of Science Studies award.