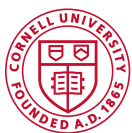


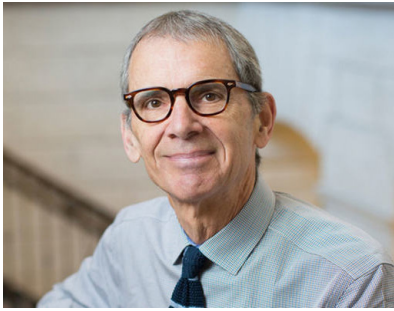
# IMPACT: DYSON

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FACULTY RESEARCH HIGHLIGHTS AUTUMN 2020



Cornell  
SC Johnson College of Business



## Edward McLaughlin

Robert G. Tobin Professor of Marketing,  
(Interim) David J. Nolan Dean,  
Charles H. Dyson School of  
Applied Economics and Management,  
Cornell SC Johnson College of Business,  
Cornell University

Colleagues,

Welcome to the first edition of *Impact: Dyson*, a precis of just some of the important work being done by the faculty of the Charles H. Dyson School of Applied Economics and Management. Here you will find a representative sample of our school's scholarly research in recent years.

The theme of much of this work reflects the Dyson vision of "our business is a better world." You will see that the breadth and depth of our research reaches far into society. We have also included snapshots of the various programs, centers, and institutes housed at Dyson, and a preview of the preeminent scholars joining our faculty this academic year, 2020-21.

The work showcased here spans the Dyson School's main research areas and reflects our unique status as a shared school between the SC Johnson College of Business and College of Agriculture and Life Sciences, focusing on:

- The role of agricultural and food sectors—from farm to fork;
- Financial decisions of firms and households;
- Public policy and private firm strategies to improve health, reduce poverty, and promote sustainable development locally and globally;
- Responsible management of natural resources and improving the environment;
- The challenges of internet adoption and digital technologies.

We are rightly proud of our faculty's continuing ability to deliver research results that make a difference, improving firm performance and people's lives, in the United States and around the world.

We invite you to share this with colleagues, and to invite your contacts to learn more about our faculty's research mission at <https://dyson.cornell.edu/faculty-research/publications/>.

Sincerely,

Ed McLaughlin  
(Interim) David J. Nolan Dean  
Professor of Marketing  
Charles H. Dyson School of Applied Economics and Management  
Cornell SC Johnson College of Business  
Cornell University

## DYSON'S NEW FACULTY

### Linda Barrington

Associate Dean for External Relations

Senior Extension Associate

Faculty Area: Applied Economics and Policy

Faculty Expertise: Compensation and Earnings, Gender issues in the workplace,  
Labor market and demographics

<https://dyson.cornell.edu/faculty-research/faculty/ljb239>



In addition to the abovementioned position, Linda is also the executive director of the Institute for Compensation Studies. Barrington came to Cornell University from The Conference Board, a global business membership and research organization. While there, she advanced through several positions, including economist, special assistant to the CEO, research director, and managing director of human capital. Before assuming her current role at the Cornell SC Johnson College of Business, Barrington served as Associate Dean for Outreach and Sponsored Research of Cornell University's ILR School.



### Laura Niemi

Assistant Professor

Faculty Area: Management and Organizations

<https://psychology.cornell.edu/laura-niemi>

<https://lauraniemi.com/>

Laura's research examines the psychological underpinnings of why and how people morally judge each other, decide what is right and wrong, make choices to help or harm, and live out their values. She also investigates how methods and findings from moral psychology research can be applied to address social issues.

### Marquise Riley

Lecturer of Accounting

ILR '16, MPS '17

Faculty Area: Accounting

Faculty Expertise: Accounting

<https://dyson.cornell.edu/faculty-research/faculty/msr259/>



Marquise attended Cornell University earning his B.S. in Industrial and Labor Relations and an M.P.S. in Management: Accounting from the Cornell College of Agricultural and Life Sciences. He spent the succeeding three years at EY LLP as a member of the assurance practice. Marquise also served as an adjunct professor for the Cornell Law School's Low-Income Taxpayer Law and Accounting Practicum for the 2018-2019 academic year.

## DYSON'S NEW FACULTY

### Suzanne Shu

John S. Dyson Professor of Marketing  
Faculty Area: Marketing and Management Communication  
Faculty Expertise: Behavioral Research, Decision Making, Marketing  
<https://dyson.cornell.edu/faculty-research/faculty/sbs78/>



The types of decisions analyzed in Suzanne's research include consumer self-control problems and consumption timing issues, with important implications for both negative behaviors (such as procrastination) and positive behaviors (such as saving). Her work on financial decisions has focused specifically on decumulation during retirement (annuities, Social Security claiming) as well as on perceived fairness for financial products. In the health domain, she has worked on grant-funded projects using behavioral economics to encourage hypertension medication adherence, reduce procrastination in mammogram screenings, increase adherence to weight loss programs, and promote colon cancer screenings.



### Nathan Yang

Assistant Professor of Marketing  
Faculty Area: Marketing and Management Communication  
Faculty Expertise: Marketing, Industrial Organization, Behavioral Research,  
Machine Learning, Business Analytics, Food and Beverage Management  
<https://dyson.cornell.edu/faculty-research/faculty/ncy6/>

Nathan Yang is an Assistant Professor in Marketing at the Cornell Dyson School of Applied Economics and Management. Previously, he was an Assistant Professor in Marketing at McGill Desautels Faculty of Management and Affiliate Professor at McGill Bensadoun School of Retail Management. His main research interests are in behavioral analytics, empirical industrial organization, (mobile) health and wellness, and retail strategy. He completed his PhD in Economics at the University of Toronto.



## CORNELL INSTITUTE FOR CHINA ECONOMIC RESEARCH (CICER)

Panle Jia Barwick, Co-Director

Shanjun Li, Co-Director

[china.dyson.cornell.edu/](http://china.dyson.cornell.edu/)

Conduct cutting-edge economic research on the Chinese economy, promote evidence-based policy engagement, and take advantage of unrivaled educational opportunities.



## EMERGING MARKETS PROGRAM (EMP)

Ralph Christy, Founding Director

Ed Mabaya, Interim Director

[emergingmarkets.dyson.cornell.edu/](http://emergingmarkets.dyson.cornell.edu/)

The EMP brings together students and educators across the Cornell community to engage in scholarship and outreach on topics relevant to economic development in emerging economies.



## FOOD INDUSTRY MANAGEMENT PROGRAM (FIMP)

Miguel Gomez, Director

[dyson.cornell.edu/outreach/fimp/](http://dyson.cornell.edu/outreach/fimp/)

FIMP is the premiere program of its kind in the United States, offering food industry education and research in addition to outreach and executive education.



## INSTITUTE FOR BEHAVIORAL AND HOUSEHOLD FINANCE (IBHF)

Vicki Bogan, Director

[ibhf.cornell.edu/](http://ibhf.cornell.edu/)

IBF explores the important and expanding areas of financial economics through a network of academics, finance industry professionals, government agencies, and other financial research centers.



## TATA-CORNELL INSTITUTE FOR AGRICULTURE AND NUTRITION (TCI)

Prabhu Pingali, Founding Director

<https://tci.cornell.edu/>

TCI is a long-term research initiative focusing on the design and evaluation of innovative interventions linking agriculture, food systems, human nutrition, and poverty in India.

## DYSON FACULTY IN 2020 WEBINARS

This spring and summer, the Cornell SC Johnson College of Business produced timely webinars on topics relevant to 2020's unprecedented issues and challenges. Dyson faculty shared their focused thought-leadership in the following (among many others). Click on accompanying links to view.

March 20, 2020: Leadership through Communication: Navigating the COVID-19 Crisis

LINK: <https://www.ecornell.com/keynotes/overview/K032020a/>

Dyson Faculty: Lynn Wooten

April 15, 2020: Sustainable Supply Chain Labor Practices: Navigating the COVID-19 Crisis

LINK: <https://www.ecornell.com/keynotes/view/K041520/>

Dyson Faculty: Miguel Gomez

April 30, 2020: Can Economic, Political, and Public Health Realities Align? Emerging on the Other Side of COVID-19

LINK: <https://www.ecornell.com/keynotes/view/K043020/>

Dyson Faculty: Linda Barrington

July 9, 2020: Profits with Purpose: Business Education and Research With Impact

LINK: <https://www.ecornell.com/keynotes/overview/K070920a/>

Dyson Faculty: Amy Newman and Linda Barrington

July 16, 2020: Functional or Fractured Supply Chains? Climate Change, COVID, and Shared Prosperity

LINK: <https://www.ecornell.com/keynotes/overview/K071620/>

Dyson Faculty: Miguel Gomez

July 23, 2020: Pursuing Financial Sustainability?

LINK: <https://www.ecornell.com/keynotes/overview/K072320/>

Dyson Faculty: Vicki Bogan and John Tobin-de la Puente

October 15, 2020: Emerging Markets: Quest for Restoring Financial Stability in India

LINK: <https://www.ecornell.com/keynotes/overview/K101520/>

Dyson Faculty: Eswar Prasad

## DYSON FACULTY - FEATURED RESEARCH

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The following pages, selected from the 2018-2019 edition of Research With Impact, showcase just a few examples of impactful faculty research in our academic areas.

### COLLEGE-WIDE FACULTY AREAS AND THEIR COORDINATORS

#### ACCOUNTING

- ROBERT LIBBY (SC Johnson Graduate School of Management)

#### APPLIED ECONOMICS AND POLICY

- NANCY CHAU (Charles H. Dyson School of Applied Economics and Management)

#### FINANCE

- DAVID NG (Charles H. Dyson School of Applied Economics and Management)

#### MANAGEMENT AND ORGANIZATIONS

- GLENN W.S. DOWELL (SC Johnson Graduate School of Management)

#### MARKETING AND MANAGEMENT COMMUNICATION

- MANOJ THOMAS (SC Johnson Graduate School of Management)

#### OPERATIONS, TECHNOLOGY, AND INFORMATION MANAGEMENT

- GARY THOMPSON (School of Hotel Administration)

#### STRATEGY AND BUSINESS ECONOMICS

- AIJA LEIPONEN (Charles H. Dyson School of Applied Economics and Management)



# Emerging human infectious diseases and the links to global food production

Nature Sustainability, 2, 6, June 2019

[LINK TO PAPER](#)



**Christopher B. Barrett**

Stephen B. and Janice G. Ashley Professor of Applied Economics and Management, Charles H. Dyson School of Applied Economics and Management, Cornell SC Johnson College of Business, Cornell University

## Co-authors

- Christopher B. Barrett, Stephen B. and Janice G. Ashley Professor of Applied Economics and Management, Charles H. Dyson School of Applied Economics and Management, Cornell SC Johnson College of Business, Cornell University
- David J. Civitello, Emory University
- Meggan E. Craft, University of Minnesota at Saint Paul
- Bryan Delius, University of South Florida
- Giulio DeLeo, Stanford University
- Peter Hudson, Pennsylvania State University at College Station
- Nicolas Jouanard, Hope for Health Biomedical Research Laboratory
- Karena Nguyen, University of South Florida
- Justin Remais, University of California at Berkeley
- Gilles Riveau, Hope for Health Biomedical Research Laboratory
- Jason R. Rohr, University of Notre Dame
- Susanne Sokolow, Stanford University
- David Tilman, University of Minnesota at Saint Paul

## Summary

As global food demand rises sharply, infectious diseases emerge at unprecedented rates. Feeding 11 billion people will require increases in crop and animal production, agricultural use of antibiotics, water, pesticides and fertilizer, and contact between humans and wild and domestic animals. Evidence suggests that this activity contributes to the emergence and spread of infection. Barrett et al synthesize literature indicating that, since 1940, agricultural drivers were associated with significant proportions of all disease (and nearly half of all zoonotic infections) emerging in humans, and that these numbers are likely to grow. The authors identify agricultural, disease management, and policy actions, along with additional research, to address this public health challenge.





**Miguel I. Gomez**

Associate Professor of  
Applied Economics and Management,  
Charles H. Dyson School of  
Applied Economics and Management,  
Cornell SC Johnson College of Business,  
Cornell University

## The economics and ecology of shade-grown coffee: a model to incentivize shade and bird conservation

Ecological Economics, 159, May 2019

[LINK TO PAPER](#)

### Co-authors

- Jon M. Conrad, professor emeritus of resource economics, Dyson School of Applied Economics and Management, Cornell SC Johnson College of Business, Cornell University
- Miguel I. Gómez, associate professor, Charles H. Dyson School of Applied Economics and Management, Cornell SC Johnson College of Business, Cornell University
- J. Nicolas Hernandez-Aguilera, post-doctoral research scientist, International Research Institute for Climate and Society, Columbia University
- Amanda D. Rodewald, professor, Department of Natural Resources, College of Agriculture and Life Sciences, and director of Conservation Science, Cornell Lab of Ornithology, Cornell University

### Summary

The cultivation of shade-grown coffee is a production system widely regarded as environmentally sustainable and useful for biodiversity conservation. In this method, the crop is grown under a forest-like canopy of trees, enhancing pest control from birds; however, the process produces lower coffee yields. Gómez et al study this tradeoff here, along with the economic incentives required for smallholders (people managing agricultural holdings smaller than farms) to adopt shade practices rather than conventional systems, in which coffee is grown in sunnier settings. Formulating a dynamic optimization problem, the authors show that smallholders have incentives to allocate more land to shade-grown coffee under the appropriate market conditions.



## Eswar Prasad

Nandlal P. Tolani Senior Professor of  
International Trade Policy,  
Charles H. Dyson School of  
Applied Economics and Management,  
Cornell SC Johnson College of Business,  
Cornell University

# Central Banking in a Digital Age: Stock-Taking and Preliminary Thoughts

Hutchins Center on Fiscal and Monetary Policy at Brookings Institution,  
April 2018

[LINK TO PAPER](#)

## Author

- Eswar Prasad, Nandlal P. Tolani Senior Professor of International Trade Policy, Charles H. Dyson School of Applied Economics and Management, Cornell SC Johnson College of Business, Cornell University

## Summary

This work provides a broad overview of how technological changes are likely to affect the practice of central banking. While the advent of decentralized cryptocurrencies such as Bitcoin has dominated the headlines, a broader set of changes wrought by advances in technology are likely to eventually have a more profound and lasting impact on central banks. While it is premature to speak of disruption of traditional concepts of central banking, it is worth considering if the looming changes to money, financial markets, and payments systems will have significant repercussions for the operation of central banks and their ability to delivery on key objectives such as low inflation and financial stability. New forms of money and new channels for moving funds within and between economies could also have implications for international capital flows and exchange rates, which are of particular relevance for emerging market central banks.

This piece touches on the relevant considerations for monetary policy and financial stability and catalogs the approaches that major central banks are taking toward three inter-related issues: central bank digital currencies (CBDCs), nonofficial cryptocurrencies, and fintech, a term that encompasses new and evolving financial technologies.



## Catherine Louise Kling

Tisch University Professor of  
Environmental, Energy, and  
Resource Economics,  
Charles H. Dyson School of  
Applied Economics and Management,  
Cornell SC Johnson College of Business,  
Cornell University

# The low but uncertain measured benefits of US water quality policy

Proceedings of the National Academy of Sciences, 116, 12, March 2019

[LINK TO PAPER](#)

## Co-authors

- David A. Keiser, assistant professor, University of Massachusetts at Amherst
- Catherine Louise Kling, Tisch University Professor of Environmental, Energy, and Resource Economics, Charles H. Dyson School of Applied Economics and Management, Cornell SC Johnson College of Business, Cornell University
- Joseph S. Shapiro, associate professor, Department of Agricultural and Resource Economics, University of California at Berkeley

## Summary

Since 1960, public and private US entities have invested over \$1.9 trillion to decrease pollution in rivers, lakes, and other surface waters caused by agriculture and urban runoff. Kling et al review the methods and conclusions of about 20 recent evaluations of these policies and find evidence of uncertainty about the true value of these efforts, relative to their costs. However, because existing evidence is limited and undercounts many types of benefits, the authors conclude that it is unclear whether many of these regulations truly fail a benefit–cost test or whether existing evidence understates their net benefits, so they offer specific questions whose answers would help eliminate this uncertainty.

## Information sharing and spillovers: Evidence from financial analysts

Management Science, 65, 8, August 2019

[LINK TO PAPER](#)



### Byoung-Hyoun Hwang

Associate professor of finance,  
Charles H. Dyson School of  
Applied Economics and Management,  
Cornell SC Johnson College of Business,  
Cornell University

### Co-authors

- Byoung-Hyoun Hwang, associate professor of finance, Charles H. Dyson School of Applied Economics and Management, Cornell SC Johnson College of Business, Cornell University
- José M Liberti, clinical professor of finance, Joseph Jr. and Carole Levy Chair in Entrepreneurship, Kellogg School of Management, Northwestern University
- Jason Sturgess, professor of economics and finance, Queen Mary University

### Summary

Hwang et al study how information sharing within an organization affects individual performance. Examining situations in which the same analyst, while working at the same broker, covers multiple mergers and acquisitions (in particular the acquirer prior to the M&A and the merged firm thereafter), the authors find that earnings forecasts for the merged firm are significantly more accurate when the analyst has a colleague working at the same broker covering the target prior to the M&A. This holds particularly true if acquirer analysts and target analysts reside in the same locale, if they are part of a smaller team, and if the target analyst is of higher quality. These findings highlight the importance of information spillovers on individual performance in knowledge-based industries.



### Justin Murfin

Associate professor of finance,  
Charles H. Dyson School of  
Applied Economics and Management,  
Cornell SC Johnson College of Business,  
Cornell University

## Who finances durable goods and why it matters: Captive finance and the Coase conjecture

Journal of Finance, 74, 2, April (2nd Quarter/Spring) 2019

[LINK TO PAPER](#)

### Co-authors

- Justin Murfin, associate professor of finance, Charles H. Dyson School of Applied Economics and Management, Cornell SC Johnson College of Business, Cornell University
- Ryan Pratt, assistant professor of finance, Marriott School of Business, Brigham Young University

### Summary

A substantial share of durable goods financed with credit in the United States is not financed by banks, but rather by the manufacturer of the good itself, a practice known as captive finance. Although motivated as a rent-seeking device, captive financing generates positive spillovers by relaxing credit constraints. Using data on captive financing by the manufacturers of heavy equipment, Murfin and Pratt find that captive-backed models have lower price depreciation. The authors propose that, by financing their own product sales through captive finance subsidiaries, durable goods manufacturers commit to higher resale values for their products in future periods, as used machines.



### John M. Doris

Peter L. Dyson Professor of Ethics in Organizations and Life, Charles H. Dyson School of Applied Economics and Management, Cornell SC Johnson College of Business, Cornell University

## Resisting temptation for the good of the group: Binding moral values and the moralization of self-control

Journal of Personality and Social Psychology, 115, 3, 2018

[LINK TO PAPER](#)

### Co-authors

- Morteza Dehghani, assistant professor of psychology and computer science, University of Southern California
- John M. Doris, Peter L. Dyson Professor of Ethics in Organizations and Life, Charles H. Dyson School of Applied Economics and Management, Cornell SC Johnson College of Business, Cornell University
- Jesse Graham, George S. Eccles Professor of Business Ethics, associate professor, David Eccles School of Law, University of Utah
- Peter Meindl, professor of psychology, University of Pennsylvania at Philadelphia
- John Monterosso, professor of psychology, University of Southern California
- Marlon Mooijan, assistant professor of organizational behavior, Jones School of Business, Rice University
- Daphna Oyserman, professor of psychology, professor of education and communication, University of Southern California

### Summary

When do people see self-control as a moral issue? Doris and collaborators hypothesize that the group-focused “binding” moral values of loyalty/betrayal, authority/subversion, and purity/degradation play a particularly important role in this moralization process. The authors conducted nine studies examining individual self-control goals and binding moral values as they function in groups. In the aggregate, their findings suggest that self-control moralization is primarily group-oriented, and is sensitive to group-oriented cues.



## Lead offer spillovers

Marketing Science, 38, 4, July (3rd Quarter/Summer) 2019

[LINK TO PAPER](#)



### Geoffrey Fisher

Assistant professor of marketing,  
Charles H. Dyson School of  
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Cornell SC Johnson College of Business,  
Cornell University

### Co-authors

- Geoffrey Fisher, Assistant professor of marketing, Charles H. Dyson School of Applied Economics and Management, Cornell SC Johnson College of Business, Cornell University
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- Matthew McGranaghan, visiting lecturer, Charles H. Dyson School of Applied Economics and Management, Cornell SC Johnson College of Business, Cornell University
- Kenneth C. Wilbur, professor of marketing, Rady School of Management, University of California at San Diego

### Summary

Price promotions are typically offered in groups on websites, mailings and circulars, but little is known about how promotional offers in near proximity affect each other. Across two large-scale field experiments conducted on a multi-brand coupon website, the authors find that when lead promotions offer high-value deals, consumers are more likely to print subsequent offers, a finding called a “lead offer spillover.” In the first field experiment, doubling the value of three lead offers increased the printing of subsequent offers by 18% and redemptions by 12%. In the second, doubling the value of a single lead offer increased subsequent offer prints by 12%. Additional analyses and experiments indicate that larger lead offers increase consumer search for subsequent offers and are not primarily driven by changes in evaluative judgments or complementarities between lead and subsequent offers.



### Jura Liaukonyte

Dake Family Associate Professor,  
Charles H. Dyson School of  
Applied Economics and Management,  
Cornell SC Johnson College of Business,  
Cornell University





**Carla Gomes**

Professor of computer science,  
Charles H. Dyson School of  
Applied Economics and Management,  
Cornell SC Johnson College of Business,  
Cornell University

## Reducing greenhouse gas emissions of Amazon hydropower with strategic dam planning

Nature Communications, 10, 1, September 2019

[LINK TO PAPER](#)

### Co-authors

- Rafael M. Almeida, Atkinson Center for a Sustainable Future, Cornell University
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- Nathan Barros, Federal University of Juiz de Fora, Brazil
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- John M. Melack, University of California at Santa Barbara
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- Guillaume Perez, Cornell University
- Suresh A. Sethi, Cornell University
- Qinru Shi, Cornell University
- Wu Xiaojian, Cornell University
- Yexiang Xue, Purdue University

### Summary

Hundreds of dams have been proposed throughout the Amazon basin, one of the world's largest untapped hydropower frontiers. While hydropower is a potentially clean source of renewable energy, some projects produce high greenhouse gas (GHG) emissions per unit electricity generated (carbon intensity). Here the authors show how carbon intensities of proposed Amazon upland dams are often comparable with solar and wind energy, whereas some lowland dams may exceed carbon intensities of fossil-fuel power plants. Based on 158 existing and 351 proposed dams, they present a multi-objective optimization framework showing that low-carbon expansion of Amazon hydropower relies on strategic planning, which is generally linked to placing dams in higher elevations and smaller streams. Ultimately, basin-scale dam planning that considers GHG emissions along with social and ecological externalities will be decisive for sustainable energy development where new hydropower is contemplated.



### Chris Forman

Peter and Stephanie Nolan Professor of Strategy, Innovation, and Technology, Charles H. Dyson School of Applied Economics and Management, Cornell SC Johnson College of Business, Cornell University

## Digital technology adoption and knowledge flows within firms: Can the Internet overcome geographic and technological distance?

Research Policy, 48, 8, October (4th Quarter/Autumn) 2019

[LINK TO PAPER](#)

### Co-authors

- Chris Forman, Peter and Stephanie Nolan Professor of Strategy, Innovation, and Technology, Charles H. Dyson School of Applied Economics and Management, Cornell SC Johnson College of Business, Cornell University
- Nicolas van Zeebroeck, professor of digital economics and strategy, Solvay Brussels School of Economics & Management

### Summary

Under what conditions does digital technology adoption increase cross-location knowledge flows within companies? Forman and van Zeebroeck investigate this question by studying the impact of adopting basic Internet access on cross-location knowledge flows within the same firm. Constructing a large data set of Internet adoption and patent citations among dyadic pairs of firm-locations between 1992–1998, the authors find that when both locations in the pair adopt basic Internet, there is an increase in the likelihood of a citation between the citing and (potential) cited location. However, they find no significant effect where Internet adoption occurs at only the citing location. These and other results suggest that digital technologies such as Internet connectivity are able to facilitate knowledge flows between locations only when they share a common knowledge base.

# Organizational transparency and power in firm ownership networks

Journal of Comparative Economics, 46, 4, December 2018

[LINK TO PAPER](#)



**Aija Leiponen**

Professor,  
Charles H. Dyson School of  
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Cornell SC Johnson College of Business,  
Cornell University

## Co-authors

- Anna Grosman, The Institute for Innovation and Entrepreneurship, Loughborough University, London
- Aija Leiponen, professor, Charles H. Dyson School of Applied Economics and Management, Cornell SC Johnson College of Business, Cornell University

## Summary

When public institutions do not support information disclosure and contract enforcement, controlling owners may compensate by setting up ownership networks that facilitate the exchange of resources and alignment of interests. Examining horizontal and vertical power structures in Russian firms, Leiponen and Grosman examine how powerful owners draw power from ownership networks to provide access to resources for or to expropriate resources from their firms, although they may deprive their firms of productive investments.



## Sarah Wolfolds

Assistant professor  
Charles H. Dyson School of  
Applied Economics and Management,  
Cornell SC Johnson College of Business,  
Cornell University

# Misaccounting for endogeneity: The peril of relying on the Heckman Two-Step Method without a valid instrument

Strategic Management Journal, 40, 3, March 2019

[LINK TO PAPER](#)

## Co-authors

- Jordan Siegel, professor of strategy, Ross School of Business, University of Michigan
- Sarah Wolfolds, assistant professor, Charles H. Dyson School of Applied Economics and Management, Cornell SC Johnson College of Business, Cornell University

## Summary

Managers make strategic decisions by choosing the best option given the particular circumstances of their firm. Wolfolds and Siegel observe certain situations and use their observations to show that current methods of addressing endogeneity by incorporating econometric techniques, including Heckman's two-step method, require closer scrutiny. The economics literature regarding optimal usage of Heckman's method emphasizes the valid exclusion condition necessary in the first stage. However, the authors' meta-analysis reveals that only 54 of 165 relevant papers published in the top strategy and organizational theory journals during 1995–2016 claim a valid exclusion restriction. Without this condition being met, the authors' simulation shows that results using the Heckman method are often less reliable than OLS results. Even where Heckman is not possible, they recommend that other rigorous identification approaches be used.

# The Dyson School Collaborates Globally!

