Keeping score among credit rating agencies

Managing teams with diverse values

When consumers don’t want choices

Testing for emotional intelligence

Discovering the diversity-productivity link

When good news turns bad for marketers

Management: a calling or just a job?
## Letter from the Dean

01

## Letter from Richard J. Mahoney

02

## Praxis Student Writer Bios

03

## “Pricing and Persuasive Advertising in a Differentiated Market”

Baojun Jiang

04

## “Do We Know Emotional Intelligence When We See It? The Social Perception of Emotional Abilities”

Hillary Anger Eilfenbein

06

## “Diversity and Productivity in Production Teams”

Barton H. Hamilton and Jackson A. Nickerson

08

## “How Did Increased Competition Affect Credit Ratings?”

Todd T. Milbourn

10

## “When Team Members’ Values Differ: The Moderating Role of Team Leadership”

Andrew P. Knight

12

## “Choosing Here and Now vs. There and Later: The Moderating Role of Psychological Distance on Assortment Size Preferences”

Joseph K. Goodman and Selin A. Malkoc

14

## “Calling and Duty in the Management Profession”

J. Stuart Bunderson

16
When Robert S. Brookings, a successful entrepreneur and civic leader, championed the creation of a school for commerce and finance at Washington University nearly 100 years ago, he recognized the important nexus of academic research, management, innovation, and the education of future business leaders. These three constituencies remain at the core of Olin Business School’s mission. Praxis is an example of the ongoing collaboration between our faculty, students, and the business community.

Thanks to the generous and enthusiastic support of Richard J. Mahoney, former chairman and CEO of Monsanto and current Olin Distinguished Executive in Residence, the Olin Award was established to recognize faculty research that is rigorous and relevant to today’s managers. MBA students work with their professors to extract the most applicable nuggets of knowledge from the research findings to create the executive summaries you find in Praxis.

In addition to the annual print edition of Praxis, we are expanding our coverage of faculty research year round with quarterly summaries of new studies that will be available online at olin.wustl.edu/praxis. We’ll also be hosting a series of luncheons featuring faculty presentations of Praxis research papers and lively discussions of the implications and applications for business.

I invite you to engage in the conversation surrounding the new knowledge revealed in Praxis. Whether on campus, online, or at one of our regional alumni gatherings, I look forward to hearing your feedback on the relevance and usefulness of Olin research to your business.

Mahendra R. Gupta
Dean and Geraldine J. and Robert L. Virgil Professor of Accounting and Management
dean@olin.wustl.edu
Putting Research into Practice

During my tenure as chief executive at Monsanto, hundreds of academic research papers came across my desk. The vast majority of these works were (and still are) written by highly intelligent professors, to be read by their peers, in prestigious journals with limited circulation in academia. Many journals, however, do not put a high enough priority on relevance and usefulness to business practitioners. Additionally, the “language of academe”—useful shorthand within the profession—is not always an invitation to be read by a busy executive.

When I joined Olin in 2004, one of my goals was to help bridge the gap between the excellent research being conducted by the faculty and managers who could put that research into practice.

The Olin Award was the first step. Since its 2007 inception, nearly 100 papers have been submitted for review by teams of executives who judge the research on its relevance and potential for today’s managers. From accounting and personnel issues to finance, marketing, and strategy, Olin professors are increasingly conducting valuable research that can improve best practices and the bottom line.

The launch of Praxis three years ago provided a way to disseminate the best research to the business community while engaging Olin students in the process. This collaboration between students, faculty, and business leaders truly completes the circle of discovery, learning, and practice that are essential components of the best education a business school can offer.

My thanks to the 2013 Olin Award panel of judges and the professors who submitted papers for review. Several judges who repeatedly volunteer their time and expertise say the competition gets tougher—and better—every year. I would also like to thank MBA students Kasey Joyce and Vibha Vemana for their work on distilling the essentials of these research papers into brief summaries that every manager should make time to read and use.

Richard J. Mahoney
Distinguished Executive in Residence, Olin Business School,
and Emeritus Trustee and Distinguished Executive in Residence,
Weidenbaum Center on Economy, Government, and Public Policy
Kasey Joyce, MBA ’14

Kasey Joyce is president of the Entrepreneurship and Venture Capital Association at Olin this year. She is also working as the director of investor relations for St. Louis venture capital firm Cultivation Capital. In August 2013, she was named a principal in the newly formed SixThirty Financial Tech startup accelerator in St. Louis.

Prior to business school, Joyce was an award-winning news anchor and reporter for the NBC stations in St. Louis and Missoula, Montana. She also hosted Edward Jones’s investment perspectives series and started her own production company, Five Goblets Productions. Through the production company, she created a documentary on the Doolittle Tokyo Raid.

Joyce is on the planning team for the St. Louis–based Arch Grants competition and also serves on the junior board of St. Martha’s Hall, a shelter for victims of domestic violence. Joyce earned her BA in psychology from Washington University in 2006.

Vibha Vemana, MBA ’14

Vibha Vemana is a second-year MBA student with a passion for entrepreneurship and organizational behavior. She has been working on a handful of new business ideas while being actively involved in the Olin community. Vemana is vice president of the Entrepreneurship and Venture Capital Association, and vice president of the Olin chapter of Net Impact, a national organization that promotes sustainable business. She is also very involved with ongoing research at Olin.

Vemana worked in innovation and brand management for nine years prior to enrolling in business school. She has worked on various brands including Olay Skin Care, Chiquita Healthy Snacks, and John Frieda Hair Care.

Post-MBA, Vemana is contemplating continuing her education with a focus in organizational behavior and leadership research. Vemana earned a BS in mechanical engineering from the University of Texas in Austin in 2003.

The Olin Award

Established in 2007 by Richard J. Mahoney, former chairman and CEO of the Monsanto Company and Olin distinguished executive in residence, the Olin Award is granted annually to an Olin faculty member(s) whose research is selected by a committee of esteemed business executives for its potential impact on business results.

Authors of the winning paper receive a $10,000 honorarium.

The 2013 Olin Award–winning paper is featured on pages 4–5.
WHEN GOOD NEWS IS BAD

“Pricing and Persuasive Advertising in a Differentiated Market”

Baojun Jiang, Assistant Professor of Marketing, Olin Business School, Washington University in St. Louis

Coauthor: Kannan Srinivasan, Carnegie Mellon University

Publication: Under journal review

2013 Olin Award Winner
A WAVE OF POSITIVE PRESS, FIVE-STAR consumer reviews, and a drop in fixed costs sound like a dream come true for marketers and managers alike. Surprisingly, external positive shocks like these don’t always lead to an increase in profits according to research by Olin’s Baojun Jiang and Carnegie Mellon’s Kannan Srinivasan. The researchers use game theory to analyze the effects of positive consumer reviews, demand, and production costs on pricing and advertising strategies. Their findings provide some unexpected advice for managers.

Let’s look at two scenarios where Jiang and Srinivasan predict the impact of positive external shocks (good news) combined with different advertising strategies on the bottom line.

Scenario 1

It may seem like common sense that if you get a barrage of positive news coverage for your product, your best bet would be to reduce your advertising spending, because you don’t really need it. However, Jiang found that assumption may be incorrect. If there’s a positive external shock AND advertising is costly or inefficient, it is in a firm’s best interest to increase its advertising spending. The reason? In this case, the firm’s competitor will see a huge barrier to increase its advertising, and it turns out to be even more profitable for the firm to further increase its competitive advantage by increasing advertising.

Scenario 2

Same situation as scenario 1, except this time, advertising is relatively inexpensive, i.e., it can effectively change the consumer’s valuation or product preferences. In this case, Jiang argues that the firm with the good press should actually decrease its advertising spending in order to avoid an advertising spending war. The reasoning is that the firm’s competitor will significantly ramp up its advertising spending to compensate for the less favorable external news from the competitor’s perspective. In fact, the firm that got the seemingly favorable changes (e.g., positive press and consumer reviews) may see a decrease in profits because its competitors can fire back with dramatically increased advertising, thereby negating any of the original firm’s potential gains from the positive external news.

Jiang takes his findings on external shocks and advertising strategies a step further and predicts that the combination of:

- increased customer perception of the value of a product due to positive reviews/news, and
- efficient advertising spending on behalf of the firm with the positive news

will lead to an industry-wide increase in advertising spending.

So what impact, if any, do these scenarios have on pricing? Jiang discovered that if one firm has a positive external shock, and advertising throughout the industry is efficient, it can actually lead to a decrease in the price differences throughout the industry.

There are several applicable lessons in this research for managers. While certain external factors like supply costs and consumer reviews are beyond a manager’s control, managers do have control over their reactions to external factors through advertising and pricing.

Mathematical analysis modeling or game theory used in this research provides useful insights about consumer and firm behavior in a controlled setting. The unexpected finding that good news could backfire on a firm if its competitors have effective marketing tactics leads Professor Jiang to offer this simple warning to managers when it comes to favorable external news for your company: “Be careful what you wish for.”

Key Takeaways for Managers

- Take into consideration how competitors will react.
- Avoid, in some situations, broadcasting positive changes to prevent triggering a competitor’s large strategic response.
- Strengthen, when the competitor’s ability to respond is limited, the competitive advantages through strategic actions such as advertising.
“Do We Know Emotional Intelligence When We See It? The Social Perception of Emotional Abilities”

Hillary Anger Elfenbein, Professor of Organizational Behavior, Olin Business School, Washington University in St. Louis

Coauthors: Sigal Barsade, University of Pennsylvania; Noah Eisenkraft, University of North Carolina, Chapel Hill

Publication: Working paper
EMOTIONAL INTELLIGENCE, OR “EI,” defined as the ability to perceive, understand, use, and manage emotions, has its roots in psychology. The 1995 best-seller *Emotional Intelligence: Why It Can Matter More Than IQ* by psychologist and *New York Times* science writer Daniel Goleman propelled it into popular culture, but accurate tests to measure EI and its use as a predictor of job performance, leadership, and success have been lacking.

**Current Tests For EI**

**Self-reporting survey** is a test that provides the equivalent validity of a self-administered driving test. Even though an individual can recognize some attributes of their own emotional abilities, this method is inherently biased.

**Ability tests** are similar to an SAT test for college admission. EI ability tests are wrought with inherent problems, such as determining the “correct” answer to an emotional question.

Hillary Anger Elfenbein and her colleagues investigated and created a measurable tool to analyze emotional intelligence based on peer reporting and 360-degree feedback. They present the first scientific evidence of validity for this approach to measuring emotional intelligence in their paper.

Elfenbein and the research team crafted a unique testing methodology and conducted their research with MBA students who were working closely in teams in introductory organizational behavior courses at three different business schools. The students were asked to evaluate their teammates on key EI attributes, and the students’ previous employers were also asked to provide an evaluation of each student. The research team ensured that the real-world colleagues participating in the study had high levels of exposure with the students.

Due to the multi-institutional nature of the study, the research team was able to base their research on more than 2,500 individuals.

Results indicate significant consensus across observers about the EI of the student “targets.” The data also suggests preliminary correlation between observer-rated EI and other ability tests currently used to assess EI. These results could have a profound effect on workplace dynamics and the role of EI as a business team metric.

The 4 Branches of EI

- **Perceiving Emotion:** the ability to identify emotions in oneself and others
- **Using Emotion:** the ability to harness feelings toward cognition
- **Understanding Emotion:** the ability to use language and thinking to analyze emotion
- **Management of Emotion:** the ability to regulate one’s own emotions and to influence the emotional states of other people

Individuals exhibiting higher EI have been linked to better performance than their low EI counterparts, due to attributes such as greater motivation and perseverance. Additionally, individuals high in EI are perceived as more likable to their colleagues, who in turn reciprocate with greater assistance, leading to better performance.

Elfenbein and her colleagues have developed an affordable and accurate tool to easily measure an individual’s EI that can be used with current 360-degree feedback processes already employed by many companies as a performance evaluation metric.

**Key Takeaways for Managers**

- EI, or the ability of an individual to perceive, understand, use, and manage emotions, is an important attribute linked to an individual’s performance and liking within an organization.
- Current testing methodology to measure EI lacks rigor (self-reported information) or can be expensive and potentially tough to define (EI ability tests).
- 360-degree feedback to assess EI is a significant and clear approach. This methodology should be utilized by evaluators who have frequent interaction with the individual to better understand nuanced behavior that impacts an individual’s EI.

Hillary Anger Elfenbein  helfenbein@wustl.edu
“Diversity and Productivity in Production Teams”

Barton H. Hamilton, Robert Brookings Smith Distinguished Professor of Entrepreneurship, and Jackson A. Nickerson, Frahm Family Professor of Organization and Strategy, Olin Business School, Washington University in St. Louis

Coauthor: Hideo Owan, The University of Tokyo

TO RESEARCH THE IMPACT OF DIVERSITY on overall productivity in a California garment factory, our team of Olin researchers began with two key working hypotheses:

**Hypothesis 1**
Demographic diversity harms team productivity.

**Hypothesis 2**
Skill diversity among team members increases productivity.

What they discovered challenged their hypotheses and offers useful insights on the inner workings of diverse teams.

The Koret garment factory in Napa, California, allowed the researchers to track worker productivity before and after team formation over a three-year period. The labor force was composed of half Hispanic seamstresses, with the rest of the seamstresses representing a variety of ethnicities. Initially, the workers sewed independently, getting paid a piece rate for the garments they finished. The research team was able to determine the individual worker’s pre-team productivity based upon their wages.

During the scope of the experiment, the factory switched from individual work to module production. Modules are teams of six to seven workers who are cross-trained and have autonomy over a variety of production decisions like the pace of work. The workers were allowed to form their own groups and were paid a group piece rate for their finished garments.

Nickerson, Hamilton, and Owan examined the way the employees formed their teams. Overall, workers opted not to segregate themselves demographically. There were only two to three teams composed exclusively of Hispanic employees; the rest were a mix of Hispanic and workers of other ethnicities.

Previous research published in Gary Becker’s *Economics of Discrimination* would suggest that the more homogeneous a team is, the easier it will be to communicate, and the more efficient the team will be. According to Becker and others, demographic diversity may hurt a team’s overall productivity.

In this case, Nickerson, Hamilton, and Owan found there was some evidence that all-Hispanic teams perform better than the other teams (when controlling for ability). However, over the course of the study, those teams changed and added non-Hispanic workers.

To the surprise of the research team, the productivity of the new team did not drop, suggesting demographic diversity may not be as important as initially hypothesized. The research also suggests that age diversity has only a marginal bearing on the team’s overall productivity.

The most eye-opening finding was that diversity of ability trumps everything. When the employees formed their teams, they chose teammates with different skill levels, perhaps to take advantage of learning opportunities within the team. This strategy appears to have paid off. The research shows teams of workers with varying skill levels performed better than homogenously skilled workers. This finding suggests there is mutual learning and sharing of tasks within the team.

The most skilled employees coached the less skilled employees to perform at a higher level. Over time, the productivity of these teams increased to the level of the team’s highest skilled worker.

The authors suggest that diversity is not just a social concern; it can drive the profits and productivity of an organization. But when it comes to productivity, it’s the type of diversity that matters.

Diversity seems to have little effect on turnover costs. The more successful and productive a team is, the more likely it is to stick together. In the case of this factory, the teams composed of employees with diverse skills were more productive, and stayed together longer. When controlling for ability, demographically diverse teams were no more likely to break apart than homogenous teams, showing workers did not prefer to be segregated.

**Key Takeaways for Managers**

- Teams can be more productive than individuals, if they are made up of individuals with complementary skill sets.
- The ability of the best person on the team can drive the productivity of the team.
- If you plan to implement teams in the workplace, let your workers form them and give them a team incentive plan.
- If management directs team formation, think about the distribution of ability. Create teams with a good mix of worker skills.
“How Did Increased Competition Affect Credit Ratings?”

Todd T. Milbourn, Hubert C. and Dorothy R. Moog Professor of Finance, Olin Business School, Washington University in St. Louis

Coauthor: Bo Becker, Harvard Business School

Q: Credit rating agencies were blamed in part for the financial crisis of 2008 because they gave AAA ratings to some toxic investments involving residential mortgages. Did the “big three” agencies—Moody’s, Standard & Poor’s (S&P), and Fitch—deserve the criticism?

A: The credit rating agencies certainly played a role in the series of events that led up to the financial crisis of 2007–2008. Specifically, there were dozens of bonds that were backed by residential mortgages that the rating agencies said were of top quality, that ultimately were not able to pay out in full.

Important to add to this statement is that while credit rating agencies played a role in this crisis, their role pales in contrast to the combined roles of politicians, regulators, banks, mortgage brokers, and ultimately the individuals who took on loans well beyond their means.

“As a policy prescription, mandating two ratings, but not more, may provide a relatively simple fix to the structured credit market.” — Milbourn and Becker

Q: There have been calls for reforms of the credit rating system in the past, including calls for increased competition. In 2006, the SEC upped the number of Nationally Recognized Statistical Rating Agencies (NRSRA) from five to 10. What was the argument for more credit rating agencies?

A: The basic argument here is that more competition in any product market is typically a good thing. Automobiles and electronics are examples of products for which more competition leads to the availability of better quality goods at lower prices. Not surprisingly, regulators and the media assumed that this would improve the market for credit ratings.

Our research sought to uncover whether this increased competition in the unique world of credit ratings actually had a positive effect in practice.

Q: Moody’s and S&P have historically been the most widely known and respected credit rating agencies. Your research focuses on the changes in behavior of these two incumbent players when Fitch Ratings, the third largest agency and strongest competitor to emerge in recent years, established its own presence. What effect has the presence of increased competition from Fitch had on ratings?

A: My coauthor Bo Becker and I discovered that increased competition from Fitch actually led to a slight deterioration in the quality of corporate credit ratings issued by S&P and Moody’s. We found ratings migrated toward AAA scores as competition among the agencies increased based on data from 1995–2006.

Q: This is beginning to sound like grade inflation. Were you able to determine the accuracy of the increased number of positive ratings in periods of high competition?

A: Yes, we found that increased competition not only drove up the ratings, it also made them slightly less accurate. With increased competition, we found that there was less correlation between ultimate bond performance and the original rating scores.

Q: Clearly, increased competition is not “leveling the playing field” as some reformers had hoped, according to your research. Is there any way to restore integrity to the credit ratings and the agencies that issue them?

A: To be clear, while the rating agencies have taken some lumps through the financial crisis—with some, but not all actually deserved—all in all, rating agencies actually do a pretty good job and provide valuable information to the financial market. A big takeaway from this research is a reminder to politicians and regulators to be wary of unintended consequences.

Our paper suggests that regulatory interference in the form of calls for increased competition actually reduced the quality of the credit rating product, rather than improving it.
MANAGING TEAMS WITH DIVERSE VALUES

“When Team Members’ Values Differ: The Moderating Role of Team Leadership”

Andrew P. Knight, Assistant Professor of Organizational Behavior, Olin Business School, Washington University in St. Louis

Coauthors: Katherine J. Klein, University of Pennsylvania; Jonathan C. Ziegert, Drexel University; Beng Chong Lim, Ministry of Defence Singapore and Nanyang Technological University; Jessica L. Saltz, PepsiCo Inc.

Publication: Organizational Behavior and Human Decision Processes, Volume 114, Issue 1, pages 25–36, January 2011
DIVERSITY HAS LONG BEEN THOUGHT to be synonymous with differences in gender or ethnic origin. Companies have tried to harness diversity as an important attribute used to shape a company’s overall identity and culture. But diversity also includes an individual’s personal values, such as work ethic and moral compass. Recognizing that every manager and employee brings their own personal set of beliefs to the workplace, this research study set out to explore how different values encourage harmony or discordance in an organization, and how to manage these differences within teams.

Over a 10-month period, Andrew Knight and his collaborators evaluated the impact of two different leadership styles on teams with high levels of values diversity:

Task-focused leaders deliver clear, structured direction to the team, with defined roles and responsibilities. Specific instructions, tasks, and required deliverables are clear to all team members and assigned directly by the task-focused leader.

Person-focused leaders show warmth toward team members, accept individual team members’ perspectives, and encourage participative team decision-making. Team members’ thoughts and opinions factor into the decision process for person-focused leaders.

Knight’s team tested the impact of each of these leadership approaches on teams taking part in an American national service program. Individuals were randomly assigned to teams, forcing individuals to work with others who may not share their same values and beliefs.

Knight’s research findings suggest that a more measured leadership approach would better serve the team when faced with values diversity. Clear team structure, roles, and focus on individual responsibilities would reduce conflict in teams faced with high values diversity.

Key Takeaways for Managers

- Diversity encompasses more than just gender, ethnicity, age, or nationality. A leader must understand values diversity—differences in people’s core underlying beliefs—to build a harmonious organization or team.
- Team leaders should understand values diversity to determine the leadership style that will best foster team effectiveness. The same approach is not appropriate for every situation.
- Task-focused leadership based on clear roles, targeted deliverables, and understandable objectives will better serve teams high in values diversity. Person-focused leadership that closely attends to individual team members’ unique and differing perspectives may have undesirable effects in teams high in values diversity.

Andrew Knight knightap@wustl.edu

These results have real-world applications. “The common prescription today for how leaders should handle diversity is to embrace it and encourage people to express themselves. While on target for some forms of diversity, our findings show that when it comes to values-based differences, leaders need to provide greater structure to prevent differing, deeply held belief systems from shattering a team,” Knight explains.

“One cookie-cutter approach to diversity does not best serve any team or organization. Leaders need to ask ‘diversity in what?’ A team might be 100% white and female, but under the surface there might be significant differences in how team members see the world. Managing this values diversity may require a leader to take an active and directive approach in organizing the team’s work.” — Andrew Knight
WHEN CONSUMERS DON’T WANT CHOICES

“Choosing Here and Now vs. There and Later: The Moderating Role of Psychological Distance on Assortment Size Preferences”

Joseph K. Goodman, Associate Professor of Marketing, and Selin A. Malkoc, Associate Professor of Marketing, Olin Business School, Washington University in St. Louis

CONSUMERS MAY BE SUFFERING FROM product variety overload and actually would prefer fewer choices under certain conditions, according to new research from professors Joseph Goodman and Selin Malkoc.

They found that “psychological distance” plays a critical role in consumer preference for assortment size. Psychological distance refers to the proximity (temporal, geographical, interpersonal, etc.) of the consumer to a purchase decision. Psychologically distant decisions are either far off in terms of time (i.e., six months from now versus today), or space (a nearby store versus one far away).

Goodman and Malkoc found that when decisions are psychologically distant, consumer preference for product variety changes. Consumers prefer a smaller assortment of products when decisions will be made in the distant future, and they are more likely to prefer a larger assortment when decisions will be made in the present.

The research team investigated the role of psychological distance through a series of experiments where consumers were given a choice between retailers offering a large or small product assortment at different points in time. Experiments were conducted with a number of products and services including restaurants, ice cream shops, chocolates, home appliances, and vacation packages. In each case, participants indicated a similar shift towards a smaller assortment of offerings for psychologically distant choices.

In one experiment, participants were asked to imagine that they were planning a vacation in the coming month or in the next year. In a meeting with a travel agent, the participants define their budget and logistical constraints. The travel agent asks whether they would prefer to see a small list (six options) or a large list (18 options) of vacation packages. Participants did prefer the larger list of vacations, but only when planning for a vacation in the coming month. When planning a vacation for the next year, they preferred the shorter list of vacation options.

What makes consumers change their preference for variety based on the psychological proximity of the decision? The researchers suggest consumers think about the bigger picture when making choices for events in the more distant future.

Such a “big picture” approach makes multiple options seem more similar, decreasing the need for a large assortment. However, the research also shows that consumers may also prefer a smaller assortment when making decisions in the present, but only if they are focused on the difficulty of making such a decision.

These research results have immediate strategic applications for a variety of firms. First, firms working in product categories psychologically more distant, such as insurance or retirement planning, should consider a limited assortment of products with no negative outcome to consumer demand. For these types of products, consumers are likely to be psychologically distant and therefore prefer a smaller product assortment that facilitates the choice decision.

“Retailers need to take a second look and ask, are consumers really asking for more choices all the time?”— Joseph Goodman

Retailers should strategically evaluate their product assortment through the lens of choice. Big box stores such as Costco offer a smaller assortment of products and therefore should highlight distant planning, such as stockpiling, perhaps at the point of purchase. Large assortment retailers, such as Best Buy or Bed Bath & Beyond, should implement an alternative strategy to promote variety with the combination of immediate decision-making. This strategy might involve a focus on short-term sales and/or convenient locations.

Key Takeaways for Managers

• Large assortments of products and services are not always best for the consumer. Smaller variety of offerings might be preferred in certain situations.

• Psychological distance is important to consider as a part of consumer choice. When the decision is geographically or temporally distant, consumers prefer a smaller assortment of product choices for evaluation.
“Calling and Duty in the Management Profession”

J. Stuart Bunderson, George and Carol Bauer Professor of Organizational Ethics and Governance, Olin Business School, Washington University in St. Louis

Coauthor: Jeffery A. Thompson, Brigham Young University

Publication: Under journal review
PROFESSORS STUART BUNDERSON AND Jeffery Thompson were inspired by the recent criticism and mistrust of the management profession, fueled by the mortgage crisis and other Wall Street scandals, to investigate whether managers have a sense of calling and personal meaning in relation to their careers.

They began by surveying 64 management professionals, currently working in a variety of different fields, at least five years after completing their MBA. Professionals were asked open-ended questions about whether they saw management as a calling, and if so, which specific aspects of their jobs felt like a calling to them.

Eighty-three percent of the management professionals in the study agreed that management can be a calling and two-thirds indicated that aspects of their work in management felt like a calling. Respondents differed, however, in how they characterized their calling as management professionals, i.e., what exactly it is that they felt called to do. Moreover, their responses differed along two dimensions.

These two dimensions—economic/social and internal/external—combine to suggest four different ways that the individuals in the study characterized their calling as management professionals: capitalist, agent, crusader, and leader.

A capitalist calling combines a concern for economic value creation with an external focus. Management professionals who embrace a capitalist calling view their role as driving economic growth, wealth creation, and economic prosperity for the broader society and not just for their firm.

The agent calling combines a concern for economic value creation with an internal focus. Management professionals who embrace an agent calling see their role as protecting and promoting the economic interests of their firms’ owners and employees.

The crusader calling combines a concern for social value creation with an external focus. Management professionals who adopt a crusader calling focus on the social mission of their firms and on ways in which the products, services, or outreach activities of their firm help to improve human lives, reduce human suffering, or make the world a cleaner or safer place.

Finally, the leader calling combines a concern for social value creation with an internal focus. Management professionals who embrace a leader calling see their role as helping the people within their firm to learn, grow, prosper, take greater responsibility, and contribute to the success of a team. This was the most common calling mentioned in the study.

Bunderson and Thompson were curious as to whether these differences in the way management professionals thought about their calling might have implications for their sense of professional duty and responsibility as managers.

In a larger survey of Olin Business School graduates from 1970 to 2007, the research team found that those professionals who embraced social value callings (crusader and leader) had a greater sense of professional duty and placed greater emphasis on the ethical obligations of their firm than those who embraced economic value callings (capitalist and agent).

**Capitalist** (Focus = jobs, prosperity)

**Crusader** (Focus = the “cause” e.g., healthcare, the environment)

**Agent** (Focus = shareholder wealth)

**Leader** (Focus = employee welfare)

“To say that one’s work is a calling is really to say that one feels obligated to use his or her specialized skills and abilities to serve some purpose in society,” says Bunderson. “Our study provided important insights into the callings that different management professionals embrace, and suggests that how you conceptualize your calling will affect how you manage and to whom you feel responsible.”

Key Takeaways for Managers

- Many management professionals view their work as a calling to use their skills to benefit others.
- Management professionals’ callings differ on goals to create economic or social value, inside or outside the firm.
- Management professionals with stronger social value callings tend to place greater emphasis on moral and ethical responsibilities.
praxis
— noun, plural praxes, praxis
1. the practice and practical side of a profession or field of study, as opposed to the theory
2. a practical exercise
3. accepted practice or custom

Collins English Dictionary – Complete & Unabridged 10th Edition