

JULY 2007 RESEARCH REPORT  
COLLEGE OF MANAGEMENT  
NC STATE UNIVERSITY

**Newly Accepted Refereed Journal Articles**

Charles Jones

Charles P. Jones, "Analyzing and Estimating Real Stock Returns," *The Journal of Portfolio Management*

What is the likelihood that real stock returns will average approximately 7 percent in the future, as they have done in the past. This paper addresses this issue by analyzing the components of real stock returns over the period 1926-2005. This analysis allows investors to make informed estimates of average real returns going forward. While the typical case for lower stock returns in the future is apparent, given today's lower dividend yield, this paper explores the conditions under which average returns can continue at their historical average. Using this framework, investors can easily substitute their expectations about real earnings growth and market valuations into the model, and make intelligent estimates of average real returns over some future period.

Fay Cobb Payton

Payton, F.C. "Dickson Exemplar: Applying IRSS Psychology Discourse," *Communications of the AIS*, Special Issue Honoring the Contribution of Dickson to Student and Colleague Mentoring.

In a recent Decision Sciences Journal on Innovative Education article, my colleagues and I used Involvement-Regimen-Self Management-Social (IRSS) network theory as defined by Boice [1992] to assess mentor and mentee experiences among under-represented Information Systems (IS) doctoral students and faculty [Payton, White and Mbarika 2005]. IRSS is defined as Involvement-Regimen-Self Management-Social activities intended to delineate and advise newly-minted doctorates into the professoriate.

Boice's framework fosters the establishment of professional support initiatives warranted for career progression and is critical as neophytes to the field attempt to balance the three pillars often characterizing academic life: teaching, research, and service. Though Boice [1992] centers his research in the context of actions and behaviors of newly minted doctorates and others [Payton et al. 2005] examined those forthcoming to the professoriate, this article focuses on how Gary W. Dickson influenced my thinking about and applying IRSS in my academic career.

Sangkil Moon

Sangkil Moon and Gary J. Russell, "Predicting Product Purchase from Inferred Customer Similarity: An Autologistic Model Approach," *Management Science*.

Product recommendation models are important tools in customer relationship management. Our research develops a product recommendation system that infers customer preference for a target product using customer similarity measures derived from past purchase behavior.

Methodologically, this research combines two complementary techniques: joint space mapping methodology (placing customers and products on the same psychometric map) and spatial choice modeling (allowing observed choices to be correlated across customers). The proposed procedure assists marketing managers in three ways. First, the approach promises to be very

effective in capturing the effects of variables (such as lifestyle and psychographics) that drive choice behavior, but are not explicitly included in the customer records available to the researcher. Second, the model is flexible in the sense that it can integrate various sources of customer similarity information and differentially weight this information in explaining choice behavior. Third, because the mapping procedure produces a representation of the relationships between customer ideal points and product purchases, managers gain insights into the overall structure of the market. The result is a product recommendation procedure which both produces accurate forecasts of choice behavior and provides an understanding of factors that impact customer purchase decisions.

## Beverly Tyler and Robert Handfield

Regis Terpend, Beverly Tyler, Dan Krause and Robert Handfield, "Buyer-Supplier Relationships: Derived Value Over Two Decades," *The Journal of Supply Chain Management*

This paper reviews studies of buyer-supplier relationships published in four prominent US-based academic journals between 1986 and 2005. Our review revealed that the focus of academic researchers on types of value being extracted from buyer-supplier relationships changed between 1986 and 2005, as did their interest in the buyer mechanisms implemented to create value in these relationships. Although emphasis has changed over time, we found that scholars have primarily investigated four types of value derived from buyer-supplier relationships: operational performance improvements, integration-based improvements, supplier capability-based improvements, and financial performance outcomes. The review also noted that researchers considered more buyer-supplier mutual efforts since 1996 than the earlier decade, but the number of studies investigating buyer practices has declined as a percentage of total publications. We conclude our review with a discussion of the review's implications for future research and practice.

## Richard Warr

Kevin Broom, Robert A. Van Ness, and Richard S. Warr, "Cubes to Quads, the change from QQQ on AMEX to QQQQ on NASDAQ," *Journal of Economics and Business*

We examine the microstructure effects of the QQQ ETF listing change from AMEX to NASDAQ. We find that even though the stock traded on both venues before and after the listing change, NASDAQ reaped a substantial increase in order flow for QQQ at the expense of the AMEX. The change results in a decline in trading costs, consolidation of order flow, and a less fragmented market for QQQ. We hypothesize that the avoidance of the explicit and implicit costs imposed by the Intermarket Trading System for NASDAQ traders was partly responsible for the improvement in QQQ market quality.

William B. Elliott, Johanna Koëter-Kant and Richard S. Warr "Market Timing and the Debt-Equity Choice," *Journal of Financial Intermediation*

We test the market timing theory of capital structure using an earnings-based valuation model that allows us to separate equity mispricing from growth options and time-varying adverse selection; thus avoiding the multiple interpretations of book-to-market ratio. We find that equity market mispricing plays a significant, if not dominant, role in the security choice decision. Our results are robust to the inclusion of proxies for time-varying growth options and alternate methods of measuring misvaluation.

## **Publications**

Tom Grennes

Grennes, Thomas. Review of "The Next Great Globalization" by Frederic Mishkin. *American Journal of Agricultural Economics*, 2007

## **Presentations**

Cecil Bozarth

Cecil Bozarth, "Strategies for Positioning Inventory in the Supply Chain," AHFA (American Home Furnishings Alliance) Global Supply Chain Management Conference at Myrtle Beach, July 12-14.

Karlyn Mitchell and Doug Pearce

Karlyn Mitchell and Doug Pearce, "Do Wall Street Economists Believe in Okun's Law and the Taylor Rule?" Western Economic Association, Seattle, July 3.

Sangkil Moon

"Modeling Level Changes in Dynamic Variety Seeking: Multinomial Probit Hidden Markov Brand Choice Model," 2007 Marketing Science Conference at Singapore Management University in Singapore.

"Research Triangle Park and North Carolina State University," LG Prominent Faculty Invited Seminar and Mobile Innovation Forum at Kyungpook National University, Taegu, Korea (June 19, 2007).

"Modeling Level Changes in Dynamic Variety Seeking: Multinomial Probit Hidden Markov Brand Choice Model," LG Prominent Faculty Invited Seminar and Mobile Innovation Forum at Kyungpook National University, Taegu, Korea (June 18, 2007).

Fanis Tsoulouhas

Fanis Tsoulouhas presented a paper authored with Kosmas Marinakis and titled "Are Tournaments Optimal over Piece Rates under Limited Liability for the Principal?" at the Wissenschaftszentrum Berlin für Sozialforschung (Social Science Research Center Berlin) in Germany on June 4, and at the 2007 Conference on Current Trends in Economics of the Society for the Advancement of Economic Theory in Kos, Greece, on June 22. He also organized and chaired the session on "Incentives and Organizations" in the same conference.

Paul Williams

Paul Williams presented two papers at the Fifth Asia Pacific Interdisciplinary Research in Accounting Conference in Auckland, New Zealand, July 9, 2007:

Joni Young (University of New Mexico) and Paul F. Williams, "Toward a More Ethical Standard-setting Process."

Sue Ravenscroft (Iowa State University) and Paul F. Williams, "Making Imaginary Worlds Real: The Case of SFAS 123R"

### **Other accomplishments**

Pablo Guerron is a visiting scholar, Federal Reserve Bank of Atlanta, August 2007