

Abstracts of Papers Selected for Presentation, IMRDC 2015

1. Excess Procurement Strategies under Competition

Tarun Jain, Doctoral Student, Indian Institute of Management Bangalore; Professor Jishnu Hazra, Indian Institute of Management Bangalore; Professor Jayashankar Swaminathan, Kenan-Flagler Business School, University of North Carolina at Chapel Hill

Discussant: Professor Peeyush Mehta, IIM Calcutta

We study a problem where a single manufacturer sells capacity to an established and more powerful buyer and a relatively less powerful buyer. The more powerful buyer has the first right to decide and book the supplier's capacity, and then the common supplier fulfils the requirement of the less powerful buyer. We solve the problem from the perspective of the powerful buyer and address the following question: Will the more powerful buyer procure higher quantity from a supplier with limited capacity as compared with the case if this supplier had infinite capacity? In other words, we try to identify the more powerful buyer's excess procurement strategies to hurt the less powerful buyer due to constrained upstream supply.

2. An Approach to Explain and Predict the Latent Thematic Structure of Consumer Generated Text Responses

Ashish S. Galande, Doctoral Candidate, Indian School of Business, Hyderabad; Professor Sudhir Voleti, Indian School of Business, Hyderabad

Discussant: Professor Atanu Sinha, University of Colorado

An important objective behind the mining and analysis of text data in business contexts is the need to efficiently summarise large bodies of text. The advent of latent topic models in the past decade enables the extraction and analysis of coherent semantic themes or "topics" latent in the data. We consider the problem of predicting the latent thematic structure underlying consumer generated text data on brands, products and services. We propose and demonstrate an adaptation of traditional topic model output that enables such an extrapolation of latent topics in consumer text responses from calibration to holdout. We apply our model to two distinct datasets -- first, online consumer reviews in the smartphone category on Amazon; and second, to open-ended responses from consumers in survey data on ice cream flavour preferences. We empirically validate the presence and the interpretation of the latent topics obtained by examining the concordance between human coders' classification and machine classification of text responses into topics. We find that our approach is able to extrapolate the relative location of consumer responses in topic space from a calibration to a holdout sample, that the projection of responses onto topics shows visually distinct patterns which aids interpretation, and that the latent topics obtained bear validity.

3. Organic Production and Cooperative Participation: Agri-Decision Making under Price Volatility **Tanushree Haldar, Doctoral Student, Indian Institute of Management Bangalore**

Discussant: Professor Souvik Dutta, IIMB

Agricultural cooperatives aim at providing stable prices to producers and assist farmers in capturing better market deals. With the growing importance of sustainable farming,

adoption of organic farming can reorient farmers towards a niche market with better price premium and relatively lower price volatility. This paper examines farmers' decision to participate in a cooperative and to adopt organic farming. We study a game theoretic model and find conditions under which farmers would prefer to opt for organic farming and participate in a cooperative. Furthermore, the effect of price volatility of conventional crop and operational cost of cooperatives on farmers' decision to participate in a cooperative is also examined. The study highlights the role of tacit trade-off between price volatility and operation cost of cooperative (maximum participation cost of cooperative) in the decision on where to sell, as well as trade-off between operational cost of cooperatives and cost of effort in choosing nature of produce. This paper has an important contribution in understanding why there are fewer cooperatives for volatile commodities and why organic farming is still in a dormant phase.

4. Seeded Contests and Betting Odds

Akshay Kumar Singh, Indian Institute of Management Bangalore; Professor Shubhabrata Das, Indian Institute of Management Bangalore

Discussant: Professor Sudhir Voleti, ISB, Hyderabad

We develop a model to predict the outcome (win-loss) of a game based on the rank of the participating players and the betting odds set by the bookmakers. The model is based on the Bradley Terry framework where the participating players are linked by a measure of their competitive ability. We illustrate the application of our model with a data set comprising records from international tennis tournaments for women and men. Bayesian approach has been adopted to make inferences about the parameters in the model. The estimates from the eight years' (2007-2014) data also allows us to infer about the degree by which a bookmaker skews the "true-odds". Predictions based on the estimated model are compared with true observation for the games played in the year 2015. Various strategies of selecting bets based on the model have been discussed. We propose two very promising betting strategies that have yielded positive results albeit in the short run.

5. Configuring and Pricing Coproductive Services

Sivakumar. S, Doctoral Student, Indian Institute of Management Bangalore; Professor Mahadevan. B,

Indian Institute of Management Bangalore

Discussant: Professor Manish Gangwar, ISB, Hyderabad

Coproductive services involve active participation of customers by investing physical/mental effort as a part of service delivery process to co-create value. Several industry reports highlight issues around misalignment of allocation of service tasks between firms and customers. This study addresses this business problem of configuring and pricing supplementary channels of coproduction with an objective of smart allocation of service tasks between firms and customers. We adopt a suite of analytical modelling tools to compare the relative preference of uniform and differential pricing strategies that treat customers as myopic against a proposed new regime accounting for strategic behaviour. The managerial insights from this study are of interest to both managers of firms implementing coproduction business models and social planners involved in the related service sectors.

6. The Poisoning Role of Perceived Unfairness on Channel Partners' Opportunism

Sandip Trada, Doctoral student, Indian Institute of Management Indore; Professor Vikas Goyal,

Indian Institute of Management Indore

Discussant: Professor Manish Kacker, DeGroote School of Business, McMaster University

Channel partners' opportunism has been identified as a critical factor that can destroy distribution channel relationships. In this research, we theorise and examine the role of "perceived unfairness" on channel partners' opportunism, beyond what is explained by the three "exchange hazards" -- relationship specific investments (RSIs), environmental uncertainty (EU), and behavioural uncertainty (BU) -- under transaction cost economics (TCE). Consistent with TCE and organisational justice theory, we hypothesise that the perceived unfairness (i.e. distributive, procedural, and interactional unfairness) acts as an "exchange poison" in distribution channel relationships. Based on the primary data from 250 supplier-distributor dyads, we found that perceived unfairness is not only positively related to the channel partners' opportunism but also aggravates the positive relationship between the three "exchange hazards" (i.e. RSIs, EU, BU) and channel partners' opportunism. We discuss the theoretical and managerial implications of perceived unfairness for distribution channel relationships and how channel managers can leverage it to curb channel partners' opportunism.

7. Once Bitten Once Shy: Learning or Risk-Aversion after Audit Failure?

Saipriya Kamath, Doctoral Student, Indian School of Business, Hyderabad

Discussant: Professor Srinivasan Rangan, IIM Bangalore

In this paper I examine whether a large audit failure leads the implicated audit firm to learn from its experience, or become unduly risk-averse. Using a difference-in-difference approach, I find that the implicated audit firm, and audit office show a higher propensity to issue unwarranted going concern opinions supporting the hypothesis of auditor risk-aversion after audit failure. I posit that this risk-aversion could be over-reaction of implicated audit firm due to availability bias triggered by ease with which an episode of audit failure could be recollected. In support of the availability bias hypothesis, I find that within the implicated audit firm, the change in audit quality is in the form of a ripple, with the audit offices closest to audit failure reacting the most, followed by offices that are more distant geographically. Availability bias would also suggest that the change in audit quality will be temporary and I find support for this – once rather than twice shy. Together, these results suggest that following a large audit failure, the implicated audit firm becomes excessively risk-averse driven by availability bias, but only in the short-term. In the long-term, there is no change in the audit quality of the implicated firm.

8. Estimating Workers' Bargaining Power and Firms' Markup in India: Implications of Reforms and Labour Regulations

Udayan Rathore, Doctoral Student, Indira Gandhi Institute of Development Research (IGIDR); Professor Rupayan Pal, Indira Gandhi Institute of Development Research (IGIDR)

Discussant: Professor Abhiroop Mukhopadhyay, ISI Delhi

This paper examines the implications of industrial deregulation, trade liberalisation and labour regulations on workers' bargaining power and firms' markup (price-marginal cost ratio) in Indian manufacturing industries, using state-wise three-digit industry-level panel

data for the period 1980-2007. Results of the econometric analysis suggest that both industrial deregulations and trade liberalisation led to significant declines in workers' bargaining power, which was already less than 6.7% on an average during the pre-reform era. However, it appears that these reforms do not have any significant effect on firms' markup in the short run. Though, over the long run, reform process seems to have had an ambiguous impact on markup (negatively significant when we control for labour regulations and insignificant otherwise). Further, it seems that pro-worker labour regulations have a positive effect on workers' bargaining position, but the magnitude of such effect appears to be small as against the impact of industrial deregulation and trade liberalisation.

9. Effect of Political Directors on Profit Persistence: Evidence from India

Kshitij Awasthi, Doctoral Student, Indian Institute of Management Bangalore; Professor Sai Yayavaram, Indian Institute of Management Bangalore; Professor Rejie George Pallathitta, Indian Institute of Management Bangalore, and Professor Trilochan Sastry, Indian Institute of Management Bangalore

Discussant: Professor Dahlia Mani, HEC Paris

We look at how political connections through the board of directors helps in creating and sustaining rents. Using a unique panel dataset of candidates elected at either national or state level in India and examining their membership of boards of directors of both listed and unlisted firms, we find that political connections are useful for sustaining profit performance of firms with prior superior profit performance while improving the profit performance of firms with prior inferior profit performance. Interestingly, we also find that connections to representatives elected at the state-level have a larger effect on profit persistence than connections to representatives elected at the national level.

10. The Use of Affective Displays by Transformational Leaders to Enhance Divergent and/or Convergent Thinking

Mohammad Haris Minai, Doctoral Student, Indian Institute of Management Lucknow; Professor Shailendra Singh, Indian Institute of Management Lucknow

Discussant: Professor Mukta Kulkarni, IIM Bangalore

Innovative behaviour is composed of paradoxical mindsets and action sets which include both convergence and divergence. Earlier research has found transformational leadership to relate positively to innovative behaviour. Affective displays by leaders are informational cues, which can modify the message that a leader communicates to followers. This might be one mechanism by which transformational leaders are able to foster both convergence and divergence amongst their followers.

A computer-based randomised controlled experiment was used to investigate the effect of transformational leadership and leader affective displays on performance in convergent and divergent thinking tasks. Divergent thinking performance was measured using an alternative uses task and convergent thinking performance was measured with a word search task. Participants were exposed to videos of confederates enacting the manipulations, after which the participants performed the tasks. These tasks were counter balanced randomly.

Results indicate that leader affective displays interact with leadership style to predict performance on both divergent and convergent thinking tasks. Followers who have transformational leaders displaying positive affect perform better than those who have transformational leaders displaying negative affect or non-transformational leaders. Negative affective displays by leaders result in followers performing better in convergent thinking tasks, and this effect is enhanced for non-transformational leaders.

11. Innovative Work Behaviour (IWB): Linkage between Idea Generation and Idea Implementation

Roopak Kumar Gupta, Doctoral Student, Indian Institute of Management Indore; Professor Sushanta Kumar Mishra, Indian Institute of Management Indore

Discussant: Professor Ritu Tripathi, IIM Bangalore

Innovative work behaviour (IWB) of employees is considered as one of the important sources of innovation in an organisation, that has the potential to result in distinctive competitive advantage for the organisation. The concept of IWB can be broadly classified as a two stage process, the first stage, i.e., Idea generation is about creating ideas regarding products, processes and procedures while later stage is about their implementation. Though this sequence seems logical and fairly evident, the process is complex with many obstacles.

Theoretically there is a void on how implementation of an idea proceeds. The current work aims at resolving this issue by investigating the complex linkages between idea generation and idea implementation. Proposing a curvilinear relationship between the two stages, the study explores that the linkage is contingent upon supervisor's ambidextrous leadership, employee's role based self-efficacy and their prosocial motivation. Data were obtained from 160 shop-floor employees at a manufacturing organisation. Results showed an inverted U shaped curve between idea generation and idea implementation. In another experimental study we found role breadth self-efficacy (RBSE) to moderate this curve. Implications and future research have been discussed. In doing so, we identify important future research questions on implementation of ideas.

12. Does Greater R&D Qualitative Disclosure Provide Information about Firm Profitability?

Pratik Goel, Doctoral Student, Indian School of Business, Hyderabad; Ankit Jain, Doctoral Student, Indian School of Business, Hyderabad; Professor Sanjay Kallapur, Indian School of Business, Hyderabad

Discussant: Professor Sai Yayavaram, IIM Bangalore

We construct a weighted word-count based measure to capture the quantity of a firm's 10-K narrative R&D-related disclosures, and document a persistent and significant (statistical and economic) negative association with subsequent firm profitability (ROA) during 1994-2006. These results stand in contrast to prior literature on 10-K narrative disclosures, across disciplines, where such disclosures have been found to convey meaningful information (via positive association) about current and future firm fundamentals. Also, the observed negative bias remains significant even after accounting for some strategy-based explanations in this context. We thus offer a psychology-based explanation emanating from the typical R&D setting to interpret our main result. Specifically, we contend that the high uncertainty and outcome-lag inherent in R&D projects induces an optimism bias in managers with regard to the outcome of such projects, which in turn

leads to biased disclosures. This, coupled with the assertion that the worst R&D performers are also the most biased, seems to explain the negative association.

13. Insurgency, PESA and Economic Inequality

Bharti Nandwani, Doctoral Student, Shiv Nadar University

Discussant: Professor Sabyasachi Das, ISI Delhi

The Indian government introduced Panchayats Extension to the Scheduled Areas (PESA) act in 1996 with the avowed purpose of introducing local government in tribal districts in nine states of India and empowering the local tribals. Out of the nine states in which PESA was introduced, six states are affected by Maoist insurgency. Using a difference in difference methodology, I show that introduction of local government in tribal districts increased insurgency. I provide evidence that this is the result of capture of advantages associated with PESA and show that PESA increased consumption expenditure inequality within the tribal population, which caused insurgency to go up. Using quartile regressions, I also show that the observed increase in inequality is significant for the middle expenditure groups. This suggests that increase in inequality within a social group due to capture of local government can also increase violence as opposed to inequality across social groups, as is commonly believed.