

Business

FOR ALUMNI, PARENTS AND FRIENDS OF THE FORDHAM BUSINESS SCHOOLS



FALL 2014

COLLEGE WRITES ITS NEXT CHAPTER

PAGE 8

Meeting of the minds

Atefeh "Atti" Riazi, chief information technology officer at the United Nations, is among the distinguished guests invited to speak at Fordham's CIO Roundtable this fall. The forum brings alumni in technology leadership positions and faculty scholars together to discuss innovations and challenges in the field.





Fifty years ago, college was an open question: Should you go?

Four decades later, that notion had almost entirely disappeared. If you were academically capable and wanted a meaningful career, college was something you just did. End of story.

Intriguingly, the question—should you go?—is back.

A small but growing chorus of voices, loudest among them billionaire PayPal founder Peter Thiel, has opened a debate about the value of a college education, asking hundreds of thousands of teenagers to consider whether they really need a degree to succeed in the 2014 economy.

We've all read the news stories: They and others call forth a list of high-earning boldface names, none of whom earned a BA or BS: Mark Zuckerberg, Michael Dell, Steve Jobs, Ted Turner, Bill Gates.

Those of us who work in higher education—and those of us who have benefited from higher education—see value, of course, where Thiel and his supporters might not.

If anything, their criticisms, though unsettling, have helped us. Questions about the value of education have pushed colleges and universities to think harder about how we can deliver more applicable knowledge and a better student experience.

The feature story in this edition of *Fordham Business* explores how Fordham and other universities are reflecting, brainstorming and innovating to make good on our promise. I hope reading it reminds you of the value of your own college degree—and perhaps entices you to expand your own education.

Best regards,

Donna Rapaccioli, Ph.D.
Dean, Gabelli School of Business and Fordham Business Faculty
Interim Dean, Graduate School of Business

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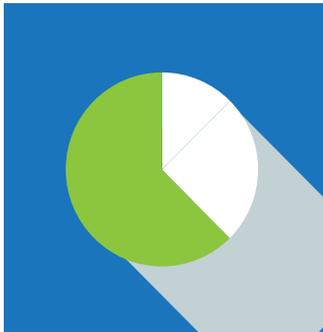
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News



Good deeds vs. good deals: Understanding ethical consumers

W

hat drives ethical consumers? Those individuals who seek out non-sweatshop clothes and pay more for Fair Trade coffee? Who diligently recycle plastic bags—or don't use them at all? Feelings, pure and simple.

"Consumer emotions are key drivers of ethical consumerism," says Ahir Gopaldas, Ph.D., an assistant professor of marketing at Fordham's Schools of Business. His study, published this summer in the *Journal of Consumer Research*, identifies three sentiments collectively shared by ethical consumers:

1. Contempt for the villains. Anger toward companies that exploit people and pollute ecosystems spurs ethical consumers to boycott those companies and protest their policies.



2. Concern for the victims. Care for people, animals, ecosystems and future generations urges ethical consumers to call for better working conditions, stronger environmental regulations and no animal testing.

3. Celebration of the heroes. Ethical consumers experience joy when making responsible choices and hope in the potential power of collective action.

Gopaldas' study could be a wake-up call to advocacy groups and brands trying to encourage mainstream consumers to buy ethically.

"Changing someone's mind simply isn't enough," he concludes. "To change society, you must also change people's hearts. Feelings are the fuel that power thought into action."

Gabelli School alumnus brings Chicago-style pizza to New York

C

hicago native Emmett Burke (GSB '05) left a career in investment banking to launch a business that is truly a slice of home.

Last November, Burke opened the doors to Emmett's, which he calls New York's first authentic Chicago-style deep-dish pizza restaurant, in SoHo. The establishment has attracted a devoted following of Chicago natives missing the Windy City's version of a pie and New Yorkers with a taste for something different.

Alternative investments trends mainstream

The undergraduate concentration in alternative investments—private equity, hedge funds, commodities and more—is being pursued by 40 students. That's up nearly 75 percent from just two years ago.



Restaurateur Emmett Burke (GSB '05) chose entrepreneurship over investments after he came up with the idea to bring Chicago-style pizza to New Yorkers.

“It happened within a couple of months,” Burke says. “We opened the same week that Jon Stewart went on his famous deep-dish pizza rant. It made us really topical.”

Burke left his hometown to study business at Fordham, its location “a big selling point” in his college choice. Though he quickly eased into life as a New Yorker, he desperately missed the pizza he grew up on. “I was shocked that the city didn’t have a deep-dish pizza place,” he adds, an observation that inspired the idea for his future venture.

Post-graduation, Burke accepted a job as a Wall Street analyst and, six years later, earned a promotion that would have taken him to San Francisco. Contemplating the move, he made some big decisions. “I didn’t think it would be right to

move across the country for a job I wasn’t passionate about, which led me to realize I would still be doing something I wasn’t passionate about here in New York,” he explains.

So, he set his sights on the Chicago-style pizza restaurant he first envisioned as a college student. Since then, he has successfully brought his passion to the palates of New Yorkers, Chicagoans, and visitors from around the world.

“[Deep-dish] is very popular in Chicago, but in New York, it hadn’t been given a fair shake,” Burke says. “I thought there was room at the table for it.”

As for his career shift, he has no regrets. “The work is more fulfilling when you know you’re working toward something that you really love.”



Kevin T. Jackson, Ph.D., explores the moral fiber of business and the need for companies to answer to a higher power.

Above the law?

Just because it’s legal doesn’t mean that it’s right. This old adage is the basis of a new “naturalistic” global economic governance model proposed in the *Boston College International & Comparative Law Review* by Kevin T. Jackson, Ph.D., J.D., a professor of law and ethics at Fordham’s Schools of Business.

“It’s time to hold businesses to a higher moral standard,” says Jackson, who points to a power shift in our increasingly global economy. As countries seek to attract multinational corporations wielding



Our students can do it. These speakers can help.

Home Depot co-founder Ken Langone lectured at Rose Hill in the same October week that Johnson & Johnson CEO Alex Gorsky spoke at Lincoln Center, bringing a double shot of corporate inspiration to campus.

News



The world comes to Lincoln Center

Our Manhattan campus is a worldly place. About 30 percent of the inaugural Lincoln Center undergraduate class is from abroad, compared with 12 percent at Rose Hill. The graduate school is nearly 60 percent international.

(continued from page 3)
financial power greater than their own, they may enact laws that benefit the venture at the expense of human rights or environmental sustainability.

Rather than looking at the “letter of the law,” Jackson advocates a code of conduct based on Catholic social theory, which places human dignity higher than written law because humans are created in the image and likeness of God.

“The question is not only, ‘Is this legal?’” Jackson says. “We must ask ourselves, ‘Is this just? Is this fair? Is it good for all—or just those in power?’ That should set the ultimate standard.”

Students advise Brazil’s visitors bureau on luring New York travelers

Fordham Executive MBA (EMBA) students may have the key to increasing the number of New York City residents bound for vacations in Brazil. Their findings come from a survey of 150 New Yorkers they conducted this past summer,



How do New Yorkers feel about traveling to Rio? This question provided the impetus for a recent Fordham Executive MBA consulting project. The students traveled to Brazil to share their findings with the country’s visitors bureau.

evaluating their likelihood of visiting Rio de Janeiro. The EMBA cohort traveled to Rio in August to present this research, along with a strategic plan for boosting tourism, to professionals from Brazil’s Visitors and Convention system, including representatives from Rio and other cities.

Each 22-month cycle of the Fordham EMBA concludes with a consulting-style global capstone project like this. The Rio project, led by John Hollwitz, Ph.D., area chair and professor of management systems, explored how a better understanding of prospective tourists could benefit the South American city.

The students’ research revealed that while New Yorkers are open to traveling to new places and learning about different cultures, they may be reluctant to choose Rio because of personal safety concerns.

That said, a little firsthand knowledge goes a long way. The survey found different results among respondents who had visited Rio before: Most of those who’d already been said they would return and would recommend the destination to others. EMBA student Joseph Pirraglia can relate—having gone once, he says he would go again, adding that Rio’s personal-safety issues are similar to those in New York.

The students advised the visitors bureau to encourage tourism by drawing parallels whenever possible between New York and Rio, such as both cities’ open-minded atmospheres.

The Brazilian clients were impressed that students, most of whom had never been to Rio, provided such an insightful analysis.

“For a consulting group that is foreign to Brazil, the research and recommendations presented by Fordham were of professional quality and demonstrated a thorough analysis of the situation we are facing,” says Milton Longobardi, chairman of the Latin American Advisory Board for the Chief Marketing Officers Council.



Cracking the commercial code at Food Network

Every TV network is afraid of losing viewers during commercial breaks. But advertising can't be avoided—it is television's bread and butter.

Trying to balance these competing interests has led some networks to try a technique called “pod busting.” Packets of commercials, four to six minutes in length, are known as a “pod.” To prevent viewers from departing during one of them—for another network, the kitchen or a trip to walk the dog—networks are

experimenting with breaking up the pods with snippets of program content.

Does it work?

Not always, according to research done by 11 Fordham Master of Science in Marketing Intelligence students, who examined audience retention for Food Network programs such as *Chopped*, *Cupcake Wars*, *Diners*, *Drive-ins and Dives* and *Iron Chef America*.

Acting as pro bono consultants, the MSMI team presented its research and recommendations to Food Network executives this summer, afterward enjoying a tour of the network's culinary division in New York City's Chelsea Market.

In addition to proving that the “pod buster” technique wasn't increasing retention of Food Network viewers through commercial breaks, the students tested and

validated research conducted by their predecessors in the MSMI program. The prior student group had developed an audience-forecasting model to project future program ratings, and the 2014 consulting team checked the model against actual data gathered since then to validate the model's accuracy.

“It turned out the ratings forecast was within 20 percent of actual, much more accurate than the president of the Food Network had ever seen,” says Peter Johnson, a lecturer in marketing and the director of the MSMI program.

Contributing reporters: Barbara Esposito, Tom Stoelker, Jason Wittmer



Words for wear

“What do you know that the world doesn't know?” Emblazoned on shirts once worn by the staff at Steinhardt Partners, these words inspired an investing approach that propelled hedge fund manager Michael Steinhardt to greatness. He recalled this to a Fordham Wall Street Council audience in September.

NYC

Planet and profit:

Making money and creating a sustainable future can go hand in hand

From monks in flowing brown robes to groups of women who called themselves “Grandmas Against Global Warming,” the People’s Climate March through midtown Manhattan in September was an inclusive affair, a colorful, peaceful demonstration intended to prod world leaders into taking action to slow climate change.



Fordham University was well represented. About 60 members of the club Students for Environmental Action and Justice marched as a block, and dozens of other students and faculty members participated with their friends and family.

Of course, no march is complete without signs. Fordham students waved handmade placards that had a touch of school spirit—“Rams for Climate Justice”—or made broader statements, such as “Change Policy, Not the Climate” and “Planet, Not Profit.”

“You just got a sense that anything is possible,” says Carey Weiss, sustainability initiatives coordinator for the Gabelli School of Business, who marched with her family. “‘We can do this’ was the message, and I think for the students, it was a very powerful idea, one that resonates with them.”

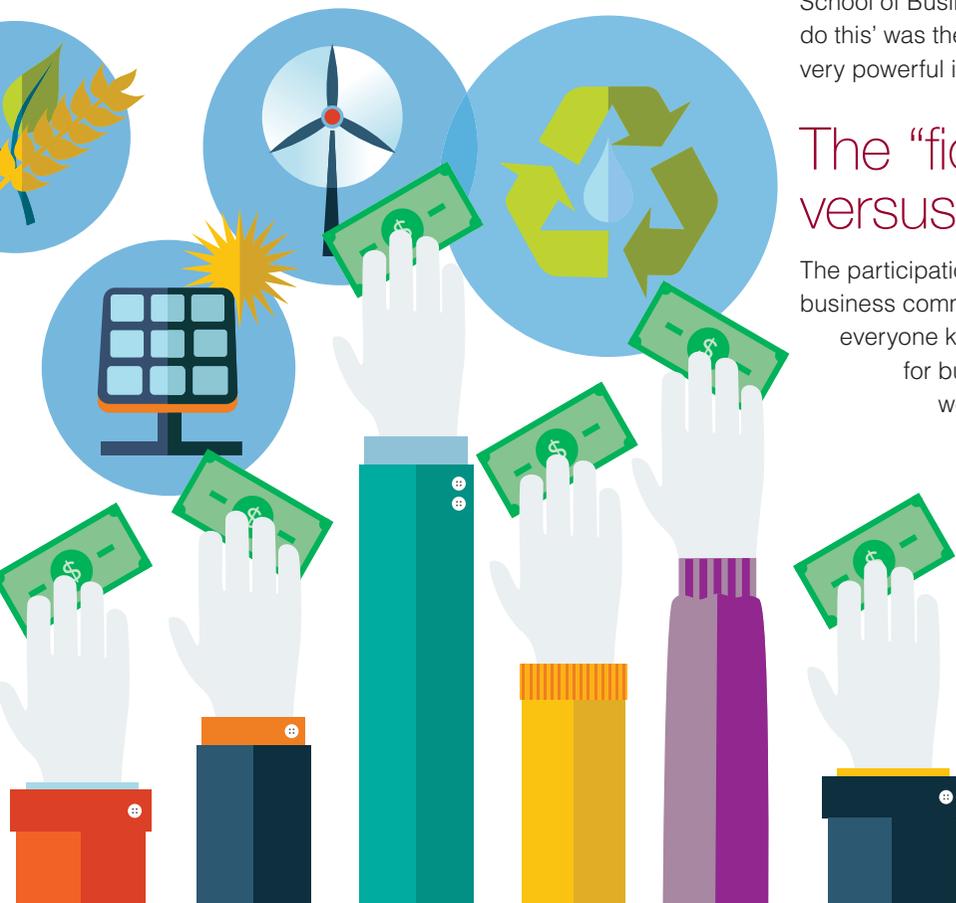
The “fiction” of planet versus profits

The participation of so many members of the Fordham business community might seem a bit odd at first. After all, everyone knows that environmental protection is bad

for business, right? Instead of “Planet, Not Profit,” wouldn’t a suit-and-tie business executive be more likely to carry a sign that read,

“Profit, Not Planet”?

Only if he didn’t care about the future of his own business, according to several members of the Fordham business faculty who have integrated sustainability into their course offerings. From innovative startup companies to mainstream industrial giants such as General



Electric, which is on its way to becoming the largest supplier of wind power equipment in America, companies are learning that what's good for the planet is also good for their bottom line.

"One of the tragedies in our current situation is that a fiction has been created that a commitment to sustainability is going to be an enormously expensive undertaking," says James A.F. Stoner, Ph.D., professor of management systems and a longtime advocate of transforming business practices to contribute to a sustainable world.

In fact, according to Michael Pirson, Ph.D., an associate professor of management systems, a responsible attitude toward the planet is the best impetus for innovation. As examples, he cites Tesla Motors, makers of a sleek all-electric sports car; Whole Foods, the grocery chain that sells many natural and organic foods; and the various companies that manufacture LED lights.

"Sustainability provides purpose and results in better products with less waste," Pirson explains. "I'm not sure why the tradeoff illusion persists, but it may be a successfully promoted myth by slothful incumbent firms that produce 'dirty' and without much care for people and planet. Of course, you cannot make all products sustainably—fossil-fuel-based products, landmines, and so on. They might not be needed at all."

Clean cookstoves: Reducing pollution, saving lives

Sustainable design is at the heart of a global initiative to find a better way for the world's poorest people to prepare their daily meals. Nearly 3 billion people rely on open fires and traditional cookstoves, and an estimated 1.9 million people die prematurely each year because of exposure to cooking smoke.

The Global Alliance for Clean Cookstoves, a public-private partnership, has received some 200 proposals from inventors and venture firms for new, more sustainable cooking methods. Business students from across the United States, including 10 from the Fordham Schools of Business, will identify the most promising candidates, who will receive a share of \$10 million in startup funding.

For Michael Billotti (GSB '15), who has been active in a number of campus environmental initiatives, projects like the clean cookstoves competition demonstrate the potential power of business to change the world for the better, but there's also a practical reason why business would want to take a close look at sustainability.

"Business is one of the most powerful forces you can imagine," says Billotti, who took part in the climate march and is working with other students to organize a week of sustainability events on the Rose Hill campus in the spring. "It has the power to lift civilizations out of poverty. But there's also just a question of hedging risk. Climate change can lead to increased disease and famines and storms, so it can disrupt business. Quite frankly, it's a no-brainer that a company would want to be sustainable."

Parallels to an earlier debate

The profit-versus-planet argument reminds Stoner and Frank Werner, Ph.D., associate professor of finance and business economics, of the 1980s debate about productivity versus quality. Shedding their post-World War II image as a country that produced cheap products, the Japanese emerged in that decade as champions of well-built and very profitable consumer goods in fields such as electronics and automobiles.

"Everyone 'knew' at that point that quality was much more expensive, but lo and behold, when the Japanese started investigating this 'fact,' they learned that quality cost less and increased productivity," says Werner, who, with Stoner, researched quality management in the 1980s. "The Japanese discovered that if you designed something right in the first place, it was cheaper to produce, wouldn't break down, and would enhance their reputation."

Similarly, if businesses view sustainability as an unnecessary add-on, they will complain that it reduces profits. But if sustainability is embraced as an integral part of their business model, it will yield returns in perhaps unexpected ways, Werner explains. Working in an environmentally sustainable building, for instance, can reduce absenteeism and employee turnover.

"We're learning that, more and more, a company's financial value is dependent on much more than current profit—things like brand and reputation," he says. "So I'm much more comfortable with asking, 'Is sustainability consistent with value?' And I think there's probably a 100-percent consistency between sustainability and value."

Stevenson Swanson is a freelance writer based in the New York City area.



COLLEGE WRITES ITS NEXT CHAPTER

A half-century ago, a four-year college degree distinguished you from your peers. No longer. Undergraduate education has become the standard, but at the same time, it is facing resistance from parents and students who are finding it expensive and perhaps not entirely suited to modern needs. While the traditional college experience is not going away, these pressures have led universities to think more creatively, evolving to teach new things in new ways.

This fall, according to U.S. Department of Education estimates, 21 million students showed up to class at American colleges and universities. Among them, 1.8 million are expected to earn bachelor's degrees by the end of the academic year, while 821,000 are expected to complete master's degrees and 177,500 should finish doctorates.

More people are pursuing higher education than ever before. The bachelor's degree has replaced the high school diploma as the minimum credential for most professional jobs, and American workers need deeper knowledge and skills to compete with others around the world for high-tech positions. Because today's employees rarely stay in one job, or even one industry, for their entire careers, schools are seeing increased demand for training and education from people in their 30s, 40s, 50s and beyond.



college education correlates with real economic success. In 2012, young adults with a bachelor's degree earned 57 percent more than those who stopped their education at high school and more than twice as much as high school dropouts, according to the U.S. Department of Education. But at a time when education is increasingly necessary, it can seem increasingly unattainable. For the 2013-2014 academic year, the average annual cost for undergraduate tuition, room and board was \$40,917 at private colleges and universities and \$18,391 at in-state public institutions, according to the College Board's Annual Survey of Colleges.

Three out of four American adults think college is too expensive for most Americans to afford, according to a survey by the Pew Research Center. More than half said U.S. higher education fails to provide students with good value for the money they and their families spend.

Critics also question the current value of a college diploma. Jeffrey J. Selingo, a journalist who studies the higher-education industry, argues that the American college education system is broken.

WHAT DOES COLLEGE COST?

\$18,391

**FOR IN-STATE TUITION,
ROOM & BOARD AT
PUBLIC INSTITUTIONS**

\$31,701

**FOR OUT-OF-STATE TUITION,
ROOM & BOARD AT
PUBLIC INSTITUTIONS**

\$40,917

**FOR TUITION, ROOM & BOARD
AT PRIVATE NONPROFIT
INSTITUTIONS**

SOURCE: The College Board, Annual Survey of Colleges

The author of *College (Un)Bound*, he questions how—with predictions that thousands of colleges and universities will close over the next decade—institutions can prove their value and best serve students in the future.

“Over the last 30 years, American higher education has lost its way,” writes Selingo, who spoke at a Jesuit Advancement Administrators conference held at Fordham in July. “At the very top, the most elite and prestigious institutions remain the best. But at the colleges and universities attended by most students, costs are spiraling out of control and quality is declining just as increasing international competition demands that higher education be more productive and less expensive.”

Inside colleges and universities, administrators and educators are developing innovative responses to these challenges.

“We need to come up with new models of higher education,” says RP Raghupathi, Ph.D., a professor of information systems at the Fordham Schools of Business and director of the Master of Science in Business Analytics program. “It’s going to be a paradigm shift. We have to get away from this notion—part of it is hype—that ‘I need an expensive college education,’ as opposed to really thinking through ‘how I can become an expert in a skill that is going to sustain me for life with a secure career path.’”

That shift is already underway. In coming years, universities will fulfill their mission through a mix of online and in-person classes, offered to students at various stages of their lives and careers, with a sharp focus on training and experience that will enhance students’ marketability.

“Just like online shopping didn’t put brick-and-mortar stores out of business, online education can co-exist along[side] traditional residential campuses,” Selingo writes in a blog post. “Shoppers need and like both forms of purchasing, and college students like both forms of course delivery when they offer flexibility.”

Across the higher-education spectrum, schools are turning to employers, who have a vested interest in the education of future workers, to supplement coursework with real-world experiences. For instance, Cornell University plans to link companies with students at its soon-to-be-built technology graduate school on Roosevelt Island in New York City by putting co-location office space on campus.

Entrepreneurship skills are increasingly important in the modern economy, too. Nearly 13 percent of the U.S. working-age population was in the process of starting or running a new business in 2013, according to data compiled by researchers at Babson College. Schools are working to prepare students for related opportunities. In 2012, Fordham’s Center for Entrepreneurship joined with New York City’s Department of Small Business Services to create the Fordham Foundry. The Bronx-based business incubator brings together students, alumni and Bronx residents to develop and launch companies that will spark economic growth and job creation in the borough.

IS COLLEGE WORTH IT?

57%

**SAY THE U.S. HIGHER
EDUCATION SYSTEM FAILS
TO PROVIDE STUDENTS WITH
GOOD VALUE FOR THE MONEY**

75%

**SAY COLLEGE IS TOO
EXPENSIVE FOR MOST
AMERICANS TO AFFORD**

86%

**SAY THAT COLLEGE HAS
BEEN A GOOD INVESTMENT
FOR THEM**

STUDY: Pew Research Center's Social and Demographic Trends, May 2011

Meanwhile, universities are reshaping degree programs to enable quicker completion, putting highly targeted coursework front and center. Fordham's MBA program, revised and relaunched this fall, is among them. Students in the "full-time cohort MBA," as it is called, can finish the degree with only 60 credits, down from 69, and are expected to complete an internship over the summer and a social entrepreneurship project before graduation. The new program also leverages Fordham's location in New York City.

"During the winter of their first year, students undertake a week-long immersion program that uses carefully crafted urban experiences to give students a firsthand look at and in-depth understanding of New York as a business capital in a way that brings together the history and culture of the city," says Dawn Lerman, Ph.D., a professor of marketing and the senior associate dean of research and academic innovation, who helped revamp the program. "It's like a one-week boot camp to come to understand business and society in New York City."

In addition to designing programs that will draw students to campus and propel them into the working world, universities are adopting online teaching methods that have advantages of their own.

"I don't think we've really come to understand the power that technology holds for educating," Lerman says. "Technology has the power to put students in greater control of their education. Not to diminish or eliminate faculty, but to free faculty to work with students in a more hands-on way."

In educational jargon, this model is known as the "flipped classroom" because the venues for lecture and exercises are reversed: students watch lectures on their own time and come to class for practice and discussions that reinforce the material.

Online classes are accessible to students who live far from campus and lack the overhead costs associated with classroom meetings. In some subjects, students actually find them more effective, according to Hooman Estelami, Ph.D., a professor of marketing at Fordham who has been teaching both online and traditional versions of certain courses for seven years and surveying students about their experiences.

Estelami points out the benefits of allowing online students to set their own timetable, for example: "They don't come to class at a particular point in time. During the week, whenever they are alert and ready, they get exposed to the material."

One type of online learning that is gaining momentum involves Massive Open Online Courses, or MOOCs: tuition-free, Internet-based programs with unlimited enrollment. Stanford, MIT and Harvard have invested heavily in



THE POWER OF OPEN KNOWLEDGE

Bozena Mierzejewska, Ph.D., an assistant professor of communication and media management at Fordham, is teaching a fall-semester MOOC, titled *Open Knowledge: Changing the Global Course of Learning*, in collaboration with faculty at five other universities: Stanford University; Canada's Simon Fraser University; the University of British Columbia; the Autonomous University of the State of Mexico; and the Kwame Nkrumah University of Science and Technology in Ghana.

Students study material provided online and participate in online discussions about how the free exchange of information is changing fields such as journalism, science and education. Professors from all six universities take turns as online moderators. This MOOC is the first-ever bilingual course of this type—most of the materials are offered in English and Spanish. Currently, 44,341 registered learners around the world are participating.

The course features “modules” on citizen journalism and citizen science, intellectual property, building an online identity, and how to verify and filter information and avoid information overload.

This MOOC runs a hybrid format, which means it is also offered on campuses of partner universities. Its online component is one part of the experience; while the online content is common to everyone, the brick-and-mortar portion allows each university to customize the MOOC to some extent. At Fordham, the MOOC counts as a business course, while at Simon Fraser, it is considered library science. The Stanford class is in the School of Education.

At Fordham, Mierzejewska meets weekly with 12 students. Students can earn a certificate and receive three credits for completing the in-person classes—evidence of knowledge grounded in the Lincoln Center campus and earned on the new frontier of education.

developing MOOCs on topics ranging from database programming to the role of the hero in classical Greek culture. Fordham's Raghupathi said he encourages his students to take technical MOOCs to boost their résumés.

Many industries have been forever changed by technology, higher education among them. But the appeal of a residential college experience remains strong in part because of what it offers beyond training for employment.

College campuses are places where lifelong relationships are forged. One-on-one mentoring, undergraduate research opportunities, cross-cultural experiences and chance encounters that inspire creativity, communication and risk-taking can be as important to shaping a career as technical skills.

“I’ve probably learned more from student clubs and my involvement on campus than I learned in classrooms,” says Bailey Link (GSB ’16). A New Jersey native, she adds that living at Rose Hill has encouraged her to become independent and develop important life skills. “I grew up in a small town, and my parents have always taken care of everything for me,” she says. “In my freshman year, I was thrown into making my own decisions and taking care of myself.”

There are some things you can't learn from watching a video online.

It is true that traditional campuses will never be able to accommodate the burgeoning population of education-seekers. But recent developments prove that universities play an important role, and when they connect with the community and in cyberspace, the real estate is unlimited.

Sarah Trefethen is a freelance writer based in New York.

Ideas

Faculty Research

Does a sponsor of a major sporting figure deserve to get its money back if that figure later suffers a spectacular fall from grace? The question may not be as clear-cut as it seems.

In “Sponsorship Implications of the Lance Armstrong v. USPS Lawsuit,” **John A. Fortunato, Ph.D.**, professor and area chair of communications and media management, examines a case in U.S. District Court in Washington, D.C., in which the U.S. Postal Service is suing the disgraced bicyclist to recover the tens of millions that it paid to sponsor Armstrong’s team from 1999 to 2004, when he was its lead rider—an estimated \$31 million between 2001 and 2004 alone.

After years of denial, Armstrong admitted in a 2013 television interview with Oprah Winfrey that he had used banned performance-enhancing drugs during the years when he won the Tour de France seven times in a row. All of his race results dating back to 1998 were nullified.

Fortunato notes in his paper, published in the *Berkeley Journal of Entertainment and Sports Law*, that the court could simply rule that Armstrong made a false claim and the USPS is entitled to recover its sponsorship fees.

But does an admission in 2013 damage a sponsorship that had ended almost a decade earlier? “For me, the big implication is if sponsors can be reimbursed when an athlete or team they have sponsored has a crisis,” Fortunato says. “In this instance, with the lawsuit coming a decade later, the question is especially interesting because the Postal Service had already received the promotional benefits of the sponsorship.”

Past performance is no guarantee of future results: so runs the standard disclaimer about investments.

That certainly was true of Lehman Brothers, the once high-flying investment bank that collapsed in September 2008, setting off the worst financial crisis since the Great Depression.

But what if a bank’s present performance could be used to calculate its future risk of default? Using data about Lehman’s debt and the performance of its stock,

two Fordham professors and two colleagues have created a sophisticated methodology that does just that. Their work was published in August in the *Journal of Banking and Finance*.

To examine the financial health of banks, regulators or risk managers usually scrutinize the bank’s assets, such as its capital reserves and the money that lenders owe it. In “Liquidity, leverage, and Lehman: A structural analysis of financial institutions in crisis,” the four researchers focus on Lehman’s liabilities—its debt, including stock. “We started with the premise that the market impounds all of the information about a company in the stock price,” says associate finance professor **N.K. Chidambaran, Ph.D.** “With equities, you have literally a minute-by-minute measure of the financial health of the bank.”

Their model, which resembles a decision tree that shows the increased or decreased chance of default on a monthly basis, found that by March 2008, Lehman likely would default on its debt within two years.

“Our model provides a platform to do stress tests more easily,” says finance professor **Ren-Raw Chen, Ph.D.**, who once worked at Lehman. “I think this is a great tool for regulators and risk managers.”



John A. Fortunato, Ph.D.
Professor and Area Chair of Communications and Media Management

When a company makes a mistake in its dealings with customers, it’s not only the right thing to treat those customers fairly; new research shows it’s also a sound business practice.

Assistant marketing professor **Yuliya Komarova, Ph.D.**, and two colleagues conducted a series of experiments to find out how consumers respond when a company makes a mistake—known as a “service failure.” If consumers feel slighted, would they suspend their usual sense of right and wrong and take revenge on a company in less-than-moral ways?

In one test conducted using Amazon’s Mechanical Turk online workplace service, participants were recruited to take part in a two-part survey and test for pay. After com-



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N.K. Chidambaran, Ph.D.
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Assistant Professor of Information Systems

pleting a survey, they received one of three fake error messages, categorized as fair, less fair and unfair. They then went on to complete the second part, a skill test that, crucially, relied on people to report how well they did, which determined how much they would earn. By far, the group that received the unfair response to the survey reported that they performed best on the skill test.

“The more unfairly we feel we are treated by a particular firm or industry, the more we allow ourselves to relax our own moral standards,” says Komarova. “It’s almost evolutionarily founded—this whole notion of an eye for an eye.”

In fact, the three researchers determined that, if given an opportunity after suffering a slight, consumers would take their anger out on other companies in the same business. Their paper, “Moral

Malleability and Morality Matching: Consumer Deviance in Response to Company Wrongdoing,” has been invited for resubmission and resubmitted to the *Journal of Consumer Research*.

The growth of the Web has made it easy to draw on the creative potential of hundreds of thousands of people, but what is the best way to harness the power of crowdsourcing to come up with innovative designs or products?

To answer that question, assistant professor of information systems **Jie Ren, Ph.D.**, and four colleagues tested three approaches to designing Facebook ads for online decision-making game rock-paper-scissors.

Some participants in the online study were simply asked to design their own ads, which they dubbed a “greenfield” method,

similar to the current way Facebook ads are created, in which a requester posts an open call and gets individual responses. Other study participants in the “combination” group were required to blend elements of two existing ads. The third group, using the “modification” approach, was asked to change one ad to make it better. Another set of participants judged the results on a number of criteria. The ads that had been modified scored highest. The results were published in the September edition of the journal *Decision Support Systems*.

The researchers note that for some tasks, the combination approach, or some hybrid of combination and modification, might be more effective, but their results show that

simply asking for individual responses is probably not the best way to tap the true creativity of a crowd.

“My research is about how online collective behavior can help companies innovate and market their products,” Ren says. “In the study, the modification and combination systems both involved elements that are similar to natural evolution. The results favor the modification system. The next generation of an ad would be better than the previous one through selection.”

by Stevenson Swanson

Talk

The value of Facebook “likes” and comments

Facebook purports to be about sharing stories and making connections, but most users realize that the site’s real purpose is consumer marketing. Marketers, therefore, are hard at work trying to make the most of the site’s features.

Photo by Spencer Lum



Sertan Kabadayi, Ph.D. (above), associate professor and area chair of marketing at Fordham’s Schools of Business, explored how marketers are drawing insights from Facebook to help their brands. He and one of his students, Katherine Price (GSB ’13), co-authored a paper on the subject that was published this year in the *Journal of Research in Interactive Marketing*.

Q: Why is Facebook so useful to brand marketers?

A: Companies can receive feedback and suggestions from consumers and can even track them using local “check-ins.” This helps marketers to segment and target key audiences. Now, it is also even possible to predict consumers’ personality profiles based on their Facebook posts.

Q: What do you mean by “personality profiles,” and how does that play out on Facebook?

A: We defined two types of personalities: “broadcasters,” who are extraverted and open to new experiences, and “communicators,” who tend to be introverted and are not as open to new experiences.

Broadcasters seek to promote themselves to a large network of people and are more likely to like and comment on Facebook. They usually have a “one-to-many” interaction style and are concerned with managing their impressions and interacting for public consumption.

On the other hand, “communicators,” those who prefer “one-to-one” or “one-to-few” types of interaction, are more likely to like Facebook posts, but less likely to comment on them.

Q: What’s the benefit of engaging with broadcasters?

A: Broadcasters like to express their opinions and promote themselves in public. With that in mind, brands can design posts that invite broadcasters to interact. Brands may also encourage and reward that interaction by acknowledging and responding to comments.

Self-promotion opportunities, such as contests or posts that encourage a controversial discussion topic, get broadcasters’ attention.

Q: What are the risks?

A: When brands segment their Facebook visitors based on their liking and commenting behaviors, they need to remember that the comments may only reflect one group of consumers with a specific interaction mode and personality traits. Therefore, they should use such segmentation with caution when they develop social media marketing strategies, as they could inadvertently exclude other target audiences.

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Madrid is the destination for this year's undergraduate marketing study tour, led by Janet DiLorenzo, lecturer of marketing at the Gabelli School. Sixteen students will spend eight days seeing firsthand how business is conducted in Spain, with company visits and sightseeing on the itinerary. Study tours in the past have taken business students to cities all over Europe, Asia and South America.

