ANU COLLEGE OF BUSINESS AND ECONOMICS

MARGIN

QUARTERLY MAGAZINE

THE AUSTRALIAN NATIONAL UNIVERSITY

Breaking bad

Plumbing the depths of corporate behaviour

Generation Y – does it exist?

Risky Business – inside the world of the actuary

ISSUE 3
Autumn 2011

from the Dean's desk

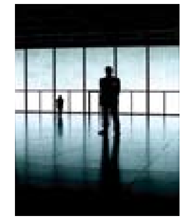
Walking around the ANU Campus, you see building going on everywhere. The environment is changing – new student accommodation, new College buildings. It's an outward expression of an institution that is constantly developing, adapting to the needs of the student population and the research community. At the same time the ANU looks to a new era under the stewardship of new Vice-Chancellor Professor Ian Young.

The ANU College of Business and Economics has mirrored these changes. We have established ourselves in an impressive new building, which has provided new accommodation for many of our staff, greatly enhanced our teaching facilities and serves as a dynamic venue for many events. We have also seen the creation of the Research Schools of Business and Economics, which has helped to focus our research endeavour and enhance our reputation for research excellence.

We now welcome a new leader with the arrival of Professor Jayne Godfrey as Dean of the College. Professor Godfrey brings with her a strong record of both academic achievement and leadership and is the ideal person to steer the College towards greater success in the future.

I have been privileged to act as Dean of the ANU College of Business and Economics over the last nine months. I would like to thank all College staff for their support and I look forward to working with Professor Godfrey.

Alex Clarke
Dean
ANU College of Business and Economics



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ON THE COVER

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NEWS

College welcomes new Dean

The ANU College of Business and Economics is delighted to welcome Professor Jayne Godfrey as its new Dean. Professor Godfrey brings with her a wealth of academic and leadership experience.

"I am thrilled to have been appointed as Dean of the ANU College of Business and Economics," she said. "The College has a well-deserved national and international reputation for excellence in research and education, and I am looking forward to working with staff to develop the quality of our academic endeavours even further so that the College is undeniably the leading business and economics school in our region."

Professor Godfrey joins ANU from Monash University where she has been Professor of Financial Accounting since 2002. She has held several senior positions, most recently as President of the Academic Board, the body responsible for education and research strategy and quality at the university. She was also a member of the Monash University Council, and previously held the positions of Deputy Dean (Research) in the Faculty of Business and Economics and Head of the Department of Accounting and Finance.

Prior to joining Monash University, Professor Godfrey held professorships at the University of Tasmania and the University of Queensland, was a reader at the London School of Economics and the University of Melbourne, and held visiting appointments at universities in the US, Europe and Australasia.

Professor Godfrey's research examines the impact of accounting regulation on the financing and investment decisions of companies, and the financing and investment implications of alternative contractual and reporting arrangements. She is recognised as a leader in her field by both her academic peers and the business community. She is a leading voice nationally and internationally on accounting, corporate governance and education issues, and currently serves on the national Water Accounting Standards Board and the Australian Accounting Standards Board.

In 2001 Professor Godfrey was awarded the Australian Centenary Medal in recognition of her service to Australian society through business leadership. She is also a former State Telstra Community and Government Businesswoman of the Year.

Speaking further of her aspirations for the future of CBE, Professor Godfrey stated:

"Our College will be at the cutting edge of economics and business research and will be respected for the outstanding quality of its research and research-led teaching. It will be the College that leaders in politics, business and industry turn to for advice regarding matters of national and international importance. They will do so because our research is rigorous and relevant. I look forward to leading the CBE to work closely with alumni and other community leaders to promote and enhance this high-level engagement across our disciplines."

ANU partnership with ARPI

The Australian National University has agreed a new strategic partnership with The Australian Risk Policy Institute (ARPI) for policy, research and higher education purposes.

The two organisations will work together to promote innovation in risk policy by utilising their respective national and international networks and strategic influence, by developing the study of risk in multi-disciplinary post-graduate courses, and by collaborating on research projects.

ARPI is one of the only professional bodies in the world formed specifically to promote risk policy. It encourages new thinking and new approaches towards risk policy, and the adoption of new frameworks for the management of risk amongst key decision makers in business and government in Australia. Recently, ARPI published an innovative 'Risk Policy Model', illustrating the latest thinking, which has received praise around the globe.

Within ANU, the ANU College of Business and Economics and the Australian National Institute for Public Policy will be the primary areas involved in the partnership. However, Professor Warwick McKibbin, Director of the Research School of Economics at ANU anticipates that the partnership will have benefits across the University:

"The evaluation and management of risk is a vital component of management policy and strategic planning in many areas of public life. This partnership will have benefits for researchers across a range of academic disciplines, both within the public policy and business arenas and beyond. It will also help to incorporate the study of risk policy into multi-discipline graduate level courses at ANU."

Tony Charge, President of the Australian Risk Policy Institute adds: "Risk policy addresses implications and potential impacts of public and corporate policies at every decision-making stage, and informs implementation analysis. The aim of risk policy is to both connect leaders with the concept of risk and to strategically inform the processes of risk management and risk governance by the introduction of new concepts and approaches such as 'vulnerability', 'systemic risk', 'wicked problems', 'predictive analysis' and so on.

"In today's world of global challenges, information networks, and rapidly changing circumstances, leaders need to be better informed about risk to make timely decisions. This partnership offers a new and strategic way to identify and present risk information to leaders and organisations across the whole spectrum of public life in Australia."

College teaching awards

Each year the ANU College of Business and Economics recognises the efforts of academic staff who have excelled in teaching or research supervision by the presentation of College Teaching Awards.

Receiving awards for Teaching Excellence in 2010 were Dr Stephen Dann of the School of Management, Marketing and International Business and Dr Ralph Steinhauser of the Research School of Economics.

Ms Anna von Reibnitz of the School of Finance Actuarial Studies and Applied Statistics received the award for Excellence in Tutoring, and Dr George Chen of the School for Management Marketing and International Business received the award for Excellence in Research Supervision.

Award winners received a commemorative plaque and a cash prize.

New ANUCES Deputy Director

Associate Professor Pierre van der Eng from the School of Management, Marketing and International Business has been appointed as the new Deputy Director of the ANU Centre for European Studies (ANUCES) for 2011.

Professor van der Eng joined ANU in 1991, first at the Research School of Pacific and Asian Studies, and later at the College of Business and Economics. His areas of focus include projects involving the early stages of European integration, particularly a book on the Marshall Plan, but also factors impacting on international foreign investment and trade.

ANUCES was formed in 2009 to focus the talents of hundreds of lecturers, teachers and students from different disciplines across the University working on Europe.

International Women's Day awards

To mark the 100th anniversary of International Women's Day, the University created new awards to celebrate the achievements of women who play significant "behind the scenes" roles at our University, and work day-in day-out to contribute to the success of the ANU without claiming the limelight or personal glory.

Of the seven women who received awards, two were staff of the ANU College of Business and Economics.

Flora Mehr from the College Student Administration Team was commended for "her supportive work in the student administration team, making a real difference for students in successfully completing their degrees." Her citation went on to say: "Flora is highly regarded for her work with CBE's more than 2000 undergraduate students and running the College's 'students at risk' program. Flora's approach embodies enablement, support and understanding. She is instrumental in making a difference for students in their studies and successful completion of their degrees and is greatly admired by students and her work colleagues."

Flora Mehr (top left) and Dr Su Wild-River (bottom left) receiving their awards from Dean of Students, Professor Penny Oakes. Photos: Stuart Hay

Dr Su Wild-River, a lecturer in the School of Management Marketing and International Business was praised for "her work as an environmental expert and committed advocate of sustainability, leading by example."

Dr Wild-River is an expert in the field of pollution prevention. She teaches through ANU Green's internship programs and is also a well published researcher and tutors in the ANU College of Business and Economics. Recently she has devised the learning outcomes for a corporate sustainability course for CBE.

CBE Research Office Manager Dora Gava was also nominated for an award for working "tirelessly on behalf of the researchers in her College, and giving service well beyond the call of duty in ensuring that the administration of research grants is impeccable."

Awards were presented by Professor Penny Oakes, Dean of Students at a special ceremony at Teatro Vivaldi on 9 March.

In the next issue of Margin...

We profile Treasury Secretary Dr Martin Parkinson who took over the role in March 2011, having previously served as Secretary of the Department of Climate Change. Dr Parkinson is an alumnus of the ANU College of Business and Economics, having completed a Master of Economics here in 1982. He was inducted into the College's Distinguished Alumni Hall of Fame in 2010. He talks about the influences and experiences that have shaped his career and views as an economist.

ACE2011 40th Australian Conference of Economists

10 -14 July Canberra web: www.ace2011.org.au email: info@ace2011.org.au registration: register@ace2011.org.au

The Economic Society of Australia

In 2011, for the first time since the Bicentenary, the Australian Conference of Economists will be held in July. The new date allows more economists, both inside and outside Australia to be a part of the largest meeting of economists that takes place in Australia, one that encompasses policy and theory, academics and practitioners.

ACE 2011 will host nine plenary speakers, several panels, a range of special sessions, a day long Public Policy Symposium, and a PhD and Honours job fair, as well as refereed contributed papers.

It will be held in Canberra in the new grounds and facilities of the ANU College of Business and Economics, sited on the edge of Canberra's City West Arts Precinct that has experienced transformative development over the past three years.

For further information about ACE 2011 please visit www.ace2011.org.au or contact our conference organisers, PAMS: www.pams.org.au or phone +61 3 9895 4495.

We look forward to seeing you at ACE2011.

Important Dates

15 April 2011
Extended deadline for submission of contributed papers.

31 May 2011
Deadline for early-bird registration

1 June 2011
Deadline for expressions of interest in Job Fair

Confirmed Plenary Speakers

Charlie Bean, Deputy Governor, Bank of England
Brad DeLong, University of California, Berkeley
Laurence R Iannaccone, Chapman University
Glenn Hubbard, Columbia Business School
Pete Klenow, Stanford University
David Throsby, Macquarie University
Hal Varian, Chief Economist, Google
Randall Wright, University of Wisconsin
Jenny Corbett, Australian National University

Panels

Climate Change Policy
China's Exchange Rate Regime
Monetary Economics

Public Policy Symposium

Is Economic Policy Getting The Good Economics It Deserves?

Special Sessions

Poverty and Inequality
Social Justice: which policies help?
Meta Analysis in Economics Research
Labour Supply and Child Care
The Fair Work Act
Economic Journalism
Infrastructure Investment: Drivers and Impacts

The Sir Lesley Melville Lecture

Delivered by Dr Charlie Bean, Deputy Governor of the Bank of England.

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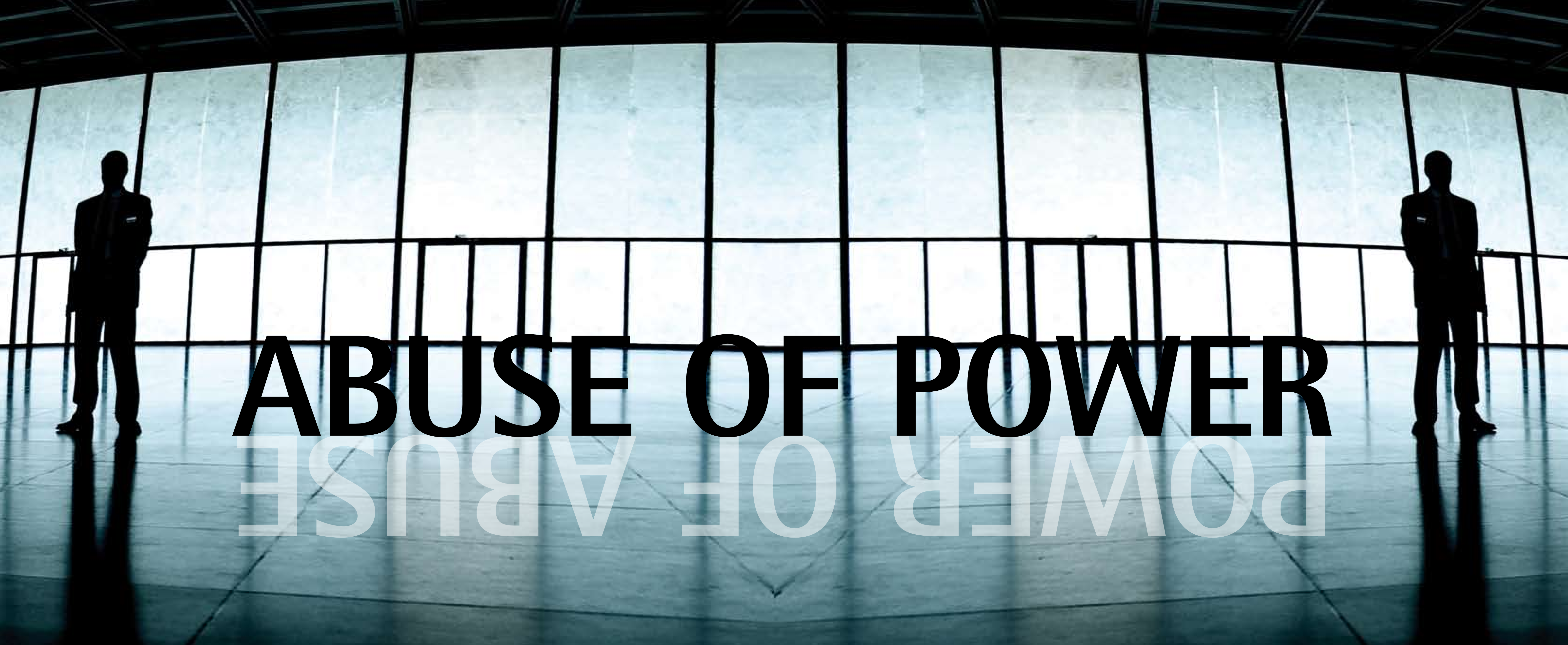

ABUSE OF POWER

Current research is examining one of the darker features of corporate behaviour – supervisor abuse. It asks what are the causes of aggressive behaviour among managers, and what is the impact on both individuals and the organisation. BY STEPHEN GREEN

Leadership is a word with predominantly positive connotations. We regard leaders as people who drive success, and achieve goals; who act as role models in the workplace, and provide inspiration to those around them. Much of the academic research in the leadership domain reflects such healthy concerns, concentrating on the constructive elements of management: building high quality supervisor/subordinate relationships for example, out of which concepts like 'leader member exchange', and 'transformation leadership theory' have been born.

But management has its darker side. All positions of power and authority are open to abuse, and when leaders start behaving badly, it can have serious consequences for the well-being of both individual staff and the organisation as a whole.

Associate Professor Simon Restubog has made it his business to study some of the dysfunctional elements of organisational behaviour and a central strand of his current research concerns supervisor abuse.

"Abusive supervision is a very specific dimension of workplace bullying, which is the umbrella term for all negative relationship behaviours in the workplace," he explains. "Bullying can happen across different levels of the organisational hierarchy - between supervisor and subordinate, between two co-workers, or even mobbing by a group of subordinates bullying a supervisor."

Interest in bullying in organisations grew out of research into school bullying, an area in which much progress has been made in Australia towards minimising the problem and its often devastating psychological impact. Researchers drew concepts such as abusive supervision out of school psychology literature and then sought to apply it in the organisational context.

Restubog and his PhD students have been tackling the topic from a number of directions. Mainly, what are the causes of abusive behaviour amongst managers? And what are the effects on subordinates? But also, what is the impact on third parties? And what are the cultural influences that shape our perceptions of abuse?

His research employs a multi-method approach, using surveys, experiments and interviews with victims, their spouses and co-workers.

"I do a lot of longitudinal studies. For example, measuring abusive supervision at time one, then after six months or a year later, assessing mediating and outcome variables, such as psychological mechanisms – how abuse is displaced to other members of the organisation or even people outside of the work environment."

The factors which contribute to abusive behaviour ▶

"If you have been the victim of abusive behaviour by your supervisor, you are more likely to feel stressed and you'll take that baggage with you. It's like 'kicking the dog' syndrome - you are more likely to undermine your spouse."

both in and out of the workplace are clearly likely to be many and varied, but, says Restubog:

"Very few researchers actually documented why destructive behaviours occur, and the mechanisms through which they are brought about."

First port of call, the family home. Inspired by Bandura's social learning perspective, repeated exposure to a hostile family environment during childhood results in the belief that aggressive behavior is an acceptable means of managing conflict. One of Restubog's recent projects is looking at supervisor characteristics – the features of their personalities that they take into the workplace - that may contribute to abusive behaviour, and which are formed largely by factors outside the workplace:

"If you look at supervisors from a social learning perspective, those who were exposed to an abusive family environment are more likely to be abusive as leaders… being exposed to a hostile family environment chronically activates their cognitions, and their affect, which makes them believe 'this is how I should relate to others'. "

Restubog espouses the view that negative behaviour is more learned than innate. Coming from a clinical psychology background, he specialised in industrial/organisational psychology in his PhD, and has continued to bring psychological analysis to bear on various, predominantly negative aspects of the work environment.

"My theoretical orientation is very much cognitive behavioural which is derived from the social cognitive and social learning perspectives. People engage in abusive behaviour because they have learned it from somewhere else, or because they have poor role models."

Poor role models within the workplace could exist both at an individual and an institutional level. In a recent paper in the *Journal of Applied Psychology* (a top-tier journal published by the American Psychological Association), Restubog and his US colleagues examine how 'aggressive norms within the organisation contribute to the emergence of aggressive supervisor behaviours.' As he explains:

"If you have a norm in the organisation where people shout at each other and argue aggressively, you are sending social messages to people – that it's ok to be aggressive… in other words, you legitimise, or even promote abusive supervisory behaviours. In effect, it becomes part of the organisation's culture."

These cultural norms can exist within a single company, or across certain industry sectors, and their influence on an individual's propensity to engage in supervisor abuse will be more or less subliminal, and accumulative over time. A more direct cause can occur when supervisors themselves fall victim to abuse:

"If you were treated badly by your supervisor you're more likely to direct your anger towards an innocent party or towards a convenient target such as a subordinate because they are less powerful than you and they are less likely to retaliate."

One can imagine an extreme scenario where psychological distress is displaced down the management chain, each supervisor finding an outlet for his or her own stress by abusing a subordinate, until there are no subordinates left and the behaviour emerges in the home instead. In fact Restubog's recent research has shown how abusive supervision often ultimately impacts the home:

"If you have been the victim of abusive behaviour by your supervisor, you are more likely to feel stressed and you'll take that baggage with you. It's like 'kicking the dog' syndrome - you are more likely to undermine your spouse."

Undermining here can mean a range of antagonistic behaviours, from ignoring, to criticising, yelling, or even violence. The research also showed that this was more common for men, who have a greater tendency to translate stress into aggressive behaviour.

Interestingly, the research also found that those who did not experience psychological distress in these situations "are more likely to retaliate directly towards the supervisor - to stop further abuse…" whereas, "those that don't have the ability to confront the supervisor, are more likely to displace their distress onto their spouse."

In 2010 with the support of an ARC Discovery Grant, Restubog expanded his research to investigate the impact of supervisor abuse on co-workers and colleagues, and how it affects their wellbeing and work behaviour. It's a previously untapped area of research, which could have significant ramifications for organisations and individuals alike.

"It's like witnessing a crime, or a horrible accident… you're not the victim, but you know the victim, or you see what happens to them, and so you're more likely to engage in a lot of sense-making processes – how do they feel? Can I feel what these victims are feeling?"

It illustrates how an apparently localised issue of supervisor abuse has implications beyond the individuals concerned. Employers should be concerned at an individual level – they have a responsibility for their employees' psychological and emotional welfare. But from a business perspective, all sorts of considerations come into play which could affect the overall health of the organisation: workforce morale; the knock-on effects to client relationships; the potential emergence of employee deviance.

Employers and governments are taking the issue very seriously. In the US, for example, the government is starting to propose new policies, provisions and laws around emotional abuse. So what is the best approach?

"The only way to minimise it (we can't totally eradicate it, it's impossible)," says Restubog, "is for organisations to be mindful of the negative impact of supervisor abuse, and make sure there is zero tolerance for abusive behaviour."

As part of the same ARC Discovery Project, Restubog has proposed the development of an intervention program, "to help victims, and third parties who have witnessed abusive supervision, to manage the psychological distress arising from the experience more constructively."

He also hopes the research findings as a whole will help to provide some direction in crystallising policies and procedures within organisations.

"In comparison with say 20 or 30 years ago, a lot of progress has been made. There's a lot of awareness about why abusive supervision is bad – how it hampers productivity and affects the well-being of employees. I'm sure the practical implications of such research findings are widely disseminated within larger organisations, but it's different for smaller companies without established HR functions."

There are endemic challenges in implementing clear policy on abusive supervision though. "The difficulty," Restubog explains, "is in defining it. Who defines emotional abuse, and from whose perspective?"

Various levels of social conditioning will influence both the supervisor's concept of what is acceptable, and the subordinate's view of what constitutes abuse. So, just as abusive behaviour in a manager may be encouraged by the corporate culture, so employees' sensitivity to abuse is tempered by national cultural norms. Restubog has researched this in a study comparing Singaporean and Australian workers attitudes to abusive practices, and found significant differences:

"Things such as yelling, which Westerners would perceive as negative behaviours may be treated as non-abusive in an Asian context, because there, they are more likely to be socialised in that kind of power asymmetry."

In a larger cross-cultural study in collaboration with his US colleagues, Restubog will look at the levels of acceptability of supervisor abuse across ten different countries in Asia, Europe and North America.

"We know that national culture is more likely to inform organisational norms, because it is more pervasive, regardless of context…Yes, different cultures may find [abusive supervision] acceptable, but the big question is why do they? What cultural elements inform that view?"

There are contradictory forces within an organisation that cloud the picture too. Consider the issue of performance management. How do you draw the line between rectifying underperformance and bullying?

"One of the reasons why supervisors tend to be abusive,'"says Restubog, "or be seen to be abusive, is because they feel that the subordinate is underperforming. In order to rectify or correct their mistakes, they abuse them."

The supervisor may feel that they are being justifiably forceful and assertive, in the interests of improving performance, while the subordinate just feels bullied.

"One of the key practical implications arising from this research is how can we train our supervisors to enforce excellence in work and a good work ethic, without being perceived as too hostile, or aggressive in the way they manage their subordinates."

It follows that the manner in which performance management strategy is communicated and implemented is also critical. Policy needs to be designed to acknowledge the risks of abuse, both of individuals and of the system. And employees need to be able to trust that abusive supervision is in no way institutionally mandated.

Restubog admits that his work is partly motivated by a fascination with "what motivates bad behaviour, why are people bad in the first place?" but stresses that by understanding the darker side of corporate behaviour, we can better design tools and strategies to help individuals and organisations manage and prevent it.

"Only by embracing darkness can you see the light. That's what we always say!" ■

Risky business

The business of the actuary is a closed world to most of us: often perceived as the preserve of a fortunate few who can use their mathematical prowess for recondite but highly lucrative ends. Senior Lecturer in Actuarial Studies, Bridget Browne, who has brought the benefit of 20 years actuarial experience to the ANU, sheds some light on this highly important and surprisingly pragmatic profession.

BY STEPHEN GREEN

Most of us have an aversion to risk. We avoid it as much as possible. We acknowledge its presence in many aspects of our lives but we counterbalance it with precautions, compensations, and safety nets.

Some, however, pursue risk, either because living with danger lends an indispensable dimension of excitement to their lives, or because they are happy to place themselves in an arena of risk because they perceive it as the best way to pursue the highest (usually financial) rewards in life. Society probably needs a few individuals like this, but it is certainly not the norm.

As for individuals, so it is in business. While all commerce exists within a context of unavoidable risk – every venture, every transaction, a potential success, a potential failure – most businesses will seek to avoid unnecessary risk.

In the world of insurance, however, risk is the business itself. Insurers willingly take on risk, and are, as much as anyone is, experts on the subject. Unlike some individuals, however, insurance companies don't take on risk for the thrill of it. To understand risk is to give oneself a chance of managing risk, and that is a service which has become a fundamental need for business and society as a whole.

In order to understand risk, we will often wish to quantify it. How do we do that? That is where the actuaries come in. To a certain extent, all of us intuitively quantify risk, using more or less crude psychological measures of chance, and a more or less precise knowledge of the underlying facts. Actuaries have turned this rudimentary augury into a sophisticated science, based on statistical analysis, probability, and ever more complex modelling.

Bridget Browne has recently joined ANU as a Senior Lecturer in the School of Finance, Actuarial Studies and Statistics. She has worked as an actuary for over 20 years. During that time, she has seen major changes both in the increased capacities lent to actuarial science by computerisation, and in the expansion of the role into areas beyond the traditional context of life insurance.

"When I started, you couldn't do a cash flow projection. We barely had Excel. We used a lot of traditional methods, the whole actuarial science – traditional methods for doing short cuts of calculation – a bit like the way people used to have slide rules for multiplying or calculating logarithms."

It's easy to forget how very recently this change has come about. Methods that were the norm in the 1980s and early 1990s seem almost Victorian to the modern eye.

"All the ledgers for the superannuation funds that we used to manage were on gigantic pieces of paper and we used to put in all the movements, premiums, claims, interest and balance; rub it out when it wasn't right; cross-check… When I talk to younger colleagues now about doing things on paper their eyes widen."

However, Browne points out the immense value of this manual grounding in the science: ▶

'You could ask the question: if actuaries had the same role in banks as they had in insurance, could things have ended up that way [in the GFC]? I think it would be an extremely interesting thought experiment. I think it would be quite confronting to the actuarial profession, because we think we would never allow such a thing to happen – but who knows?' - Bridget Browne

"We were like calculators…it's excellent training."

Instilling this awareness is central to the early training of an actuary:

"A bit like a kid learning to add up, you shouldn't just give them a calculator. If they don't understand what they are doing, they're not going to know if their answer makes sense…it's absolutely vital', says Browne. She underlines the point with the salutary example of the Global Financial Crisis: 'the use of models without understanding models, without thinking about the implications or the appropriateness of the assumptions…"

Nevertheless, computerisation has had a major influence on the scope of the actuary's work:

"There was a lot of understanding about how things worked financially, how things interacted, but there was a relative amount of conservatism, because you couldn't test everything, you couldn't look at the limits, you couldn't run simulations of different circumstances. Actuaries were definitely at the forefront of programming, for example, inside insurance companies… Statistically, the formulae have long existed, but the actual computer power to do the analysis didn't."

Ever increasing computing capacity, ever more powerful algorithms, are allowing insurance companies in particular to push the boundaries – exploiting technology to gain an advantage in a highly competitive market. At the same time, advances in actuarial science are demanding an increasingly sophisticated approach to sociological change. Take biometric risk: mortality risk, longevity risk, disability risk. These are central considerations for the life insurer.

"We have seen unprecedented improvements in mortality rates. In the second half of the 20th Century, life expectancy has improved faster than ever before. And improvements have come from different things at different times," says Browne.

Factors such as changes in smoking habits and advances in medical treatment have contributed to significant increases in life-expectancy. "You've got the baby-boomers coming into their sixties…in better health than any generation before", says Browne, "but the generation behind perhaps isn't in such good health…exposed to a poorer diet – a sweeter, fatter diet", resulting in issues such as obesity and diabetes. The picture is complex and demands greater sophistication in the modelling.

"The idea of studying movements in mortality rates has only really been actively developed in the last ten years," says Browne. In 2002 she joined Bermudian reinsurer PartnerRe and was asked to work on longevity insurance. It was a new departure, and introduced her to the latest developments in the area.

"Instead of having mortality for a given gender as a set of rates by age, now we work with it as a surface, so we look at it by age and time. The first time someone said generational table (it was called a generational or perspective table) I'd never seen that before, and I had done all the standard actuarial training."

It's an area that perfectly illustrates the nexus between actuarial research and industry practice:

"The work we were doing was quite cutting edge in mortality and particularly longevity modelling, so we relied quite heavily on the research going on in that…the fact that you had an academic establishment doing that work, publishing papers that we could read and think about and apply was an absolute godsend – we could never have done that work ourselves."

Actuarial Institutes are key in this process, encouraging specific research projects, and posing questions that they want answered for the benefit of the industry. They also act as a conduit through which practising actuaries can come up to date with the latest techniques and thinking.

And the demand for actuarial research is only going to grow. Like most areas of scholarly enquiry, each new advance reveals new questions to be answered, new areas to be explored. As Browne reflects:

"We thought we knew mortality, that's *what* we knew. Actually, the more we know, the more we discover how little we do know. We know where we are now, but where we are going is quite difficult to predict."

In recent years, actuaries have begun to ply their trade outside the traditional area of life insurance – moving firstly into general insurance, and over the last 15 years or so, into finance, and that is likely to be a growth area.

Although, as Browne points out, there is as yet "no official role for actuaries in banks", their use as financial experts in the industry has certainly become far more widespread since she began her career. As banks developed their businesses in new ways, the pertinence of actuarial expertise became more obvious. For example Browne's tenure at PartnerRe coincided with an era of securitisation for the banking sector:

"Having securitised mortgages, they started getting interested in securitising mortality and longevity risk…it was very interesting seeing how banks worked as opposed to insurers, these two different jargons we use about basically the same thing."

It is not just in the language they used that banks differed with insurers with respect to risk. Without the same level of regulation from outside, those mechanisms within the banking industry that should have provided the checks and balances to the accumulation of risk were either relaxed or ignored.

"A lot of the things that caused problems in the Global Financial Crisis," as Browne puts it, "were off balance sheet for starters – they were completely out of the picture and there was no real public reporting on those." Within the insurance industry, and in particular, the re-insurance business, it is critical to have a measure of the accumulation of risk: asking the questions, who's holding what risk? and is this accumulation of risk something we can manage?

"You could ask the question: if actuaries had the same role in banks as they had in insurance, could things have ended up that way [in the GFC]? I think it would be an extremely interesting thought experiment. I think it would be quite confronting to the actuarial profession, because we think we would never allow such a thing to happen – but who knows?"

That the actuarial profession could take a greater role in banking seems clear, indeed the science of risk analysis must have untapped benefits across a wide area of business and public life. Already the actuarial profession has been quite active in climate change and energy markets – and they provide important consultation on a range of public policy issues.

The underlying message, however, is one of caution and circumspection. The more the actuarial profession moves into new areas, the more the science it employs is refined, the greater the potential benefits for business and the community alike. But acknowledging the limits of our knowledge remains essential. We can insure ourselves against the known, the predictable. We can even, to a degree, prepare ourselves for the unpredictable. But against the 'unknown unknowns', in the words of Donald Rumsfeld, we are powerless. Not even actuarial science can help us there.

As Bridget Browne relates when commenting on major pandemic risk or the indefinite extension of life expectancy: "There will be something quite bad or dramatic or unanticipated at some stage…when it's an unimaginable thing happening the conversation always finishes, "it'll be the end of the world as we know it anyway, we'll all have other things to worry about!" ■


Brent Jackson

The Y question

"If you are going to treat a whole generation of people in the same way, would you do the same with women, with all people from a particular ethnic background?"

This is how PhD student Brent Jackson encapsulates the dangers of generalisations based on broad demographic categories. BY HAYLEY MCNEEL

Is there such a thing as generational conflict in the workplace? Or, more directly, is there a need to classify individuals as belonging to Generation Y (or X or anything else) at all? The question that has intrigued Brent Jackson, PhD student in the School of Management, Marketing and International Business, is whether a cohort of people can really share a group of qualities that define their attitudes towards work purely based on their birthdates. There are many researchers looking at 'Gen Y' from a social perspective; Jackson is looking at it specifically from a business point of view.

Jackson took time out to discuss with Margin some of the key points of his research, firstly into breaking down the generational stereotypes, and then with specific application to the Australian Public Service (APS).

At the risk of sounding iconoclastic, there is some truth in his off-the-cuff remark that "Generation Y does not exist". This assertion runs contrary to the media attention that the topic attracts, from books to blogs, disparaging their shortcomings in the workforce. Jackson admits that it would be easy to agree with the myriad self-styled experts on generational issues, but he was driven to "challenge what [he] saw as untruths" in the stereotypes associated with the Generation Y concept, and consider instead using 'life stage' as a way of describing behaviour common to a particular age group. Seeking to manage people based on their generation is, really, a pointless exercise, so instead it is prudent for managers to recognise the different desires of employees at each life stage, if in fact there are differences at all.

Managing Expectations

A key issue for the departments and agencies that make up the APS is how to manage the high expectations of employees new to the full-time workforce. According to Jackson's research, this is a growing challenge for employers.

"There has been a recent trend of accelerated promotion amongst graduates, but it gets to a certain point and they stop. Not a glass ceiling, but the expectation is that' if I'm an APS6 by 25, why can't I be an EL2 by 28. Why can't I do that – I've been told I'm the best of the best?'"

There is no textbook way to manage this unbridled ambition, but Jackson believes that an easy way to meaningfully engage with employees is to simply open up the lines of communication on what is possible in the job. It "will cost nothing more than a 20 minute chat" he says simply, but warns that "communication must be clear and honest, even if this means having a difficult conversation."

Managing Performance

An ongoing issue emerging for younger APS employees is the lack of effective performance management procedures in their work. Jackson was surprised by the level of awareness that younger APS employees had of performance in their workplaces.

"They were very aware of colleagues who were seen to be not pulling their weight," he explains, and that managers not dealing with underperformance was the "single biggest complaint from younger workers." They want managers to deal with underperformance quickly, and be seen to be applying standards fairly and openly.

Younger employees are also "frustrated by an inconsistent application of the APS values", and perceive these values as indicative of overall attitudes to work. From this, Jackson has deduced that an "agency that sells the APS values but does not abide by them in a management sense is in trouble. These employees want to work with organisations that take a stand against poor work effort – that are interested in bettering the organisation and thus its staff. And any quality worker, regardless of age, should aim for the same."

The Question of Dollars

Jackson was surprised at attitudes towards pay and accountability, revealing a common misconception that "public servants are horribly underpaid". In fact, up to a certain level (senior executive), APS employees earn far more, with comparatively less accountability, than their private sector counterparts. This is particularly true for the younger employees. As the APS pushes for greater mobility between the private and public sectors, Jackson considers that long-held perceptions of the public and private sectors will inevitably start to change.

"Many younger workers with limited work experience will find that the sort of salary and role that they enjoy in the APS just doesn't exist in the private sector."

In the private sector, a lot more is expected from early career and mid-ranking staff without many of the benefits of Public Service employment. Jackson is careful to point out that there are pros and cons to employment in both sectors and that "younger employees need to be aware that there are career benefits and trade-offs in both sectors".

Making a Difference

From a theoretical perspective there has been discussion of a 'public service work ethic', particularly amongst young people motivated by a desire to act in the interests of the public. It's an admirable quality, not typically associated with Generation Y, but, says Jackson, it needs to be harnessed by managers and not lost amidst bureaucracy. He maintains that whilst there are nuances that make the APS a different place to work for younger employees, "good management is good management, regardless of the environment".

The fine art of income prediction

Tim Higgins, Senior Lecturer in Actuarial Studies at ANU, proposes the use of Income Contingent Loans in new areas of social policy. Underpinning his argument is the development and use of dynamic statistical models which more realistically predict future income variability. BY STEPHEN GREEN

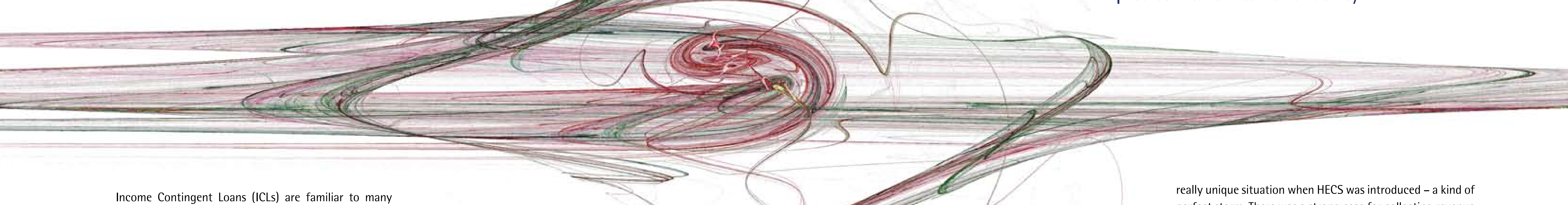

Image: Shutterstock # 19631602

Income Contingent Loans (ICLs) are familiar to many Australians in their most established manifestation – HECS (Higher Education Contributions Scheme). Any Australian who studied at university in the last 22 years will most likely have paid for their tuition with the help of HECS, or more recently HECS-HELP. HECS was introduced in 1989 under the Hawke government as a means of enabling students to defer their contribution to the cost of their university tuition fees until their incomes were sufficient to make repayments manageable – hence Income Contingent Loans.

Tim Higgins became interested in ICLs whilst a Treasury employee working on the development of models to estimate doubtful debt for HECS debtors. Key to this process was trying to predict individuals' incomes.

"We had access to some fantastic data, but I realised I wanted to take the work further. So I came to ANU on the back of that interest and started a PhD."

The move reflects the fact that within the Public Service, there are limits on what can be achieved:

"When we were developing a model we had limited time. We had only so many resources available, and other jobs coming our way. I wanted the freedom of academia to really do justice to the research tasks."

Over the ensuing years, Higgins combined further research into ICLs, which formed the basis of his PhD thesis, with work on financial wellbeing in retirement and behavioural finance.

A recently completed study into the use of ICLs for extending paid parental leave provides the material for the first section of his PhD thesis. Higgins worked on the idea with Professor Bruce Chapman, the original architect of HECS and an ANU Economist based in the Crawford School of Economics and Government.

"The Productivity Commission was instructed by government to review paid parental leave and asked for submissions, so we put this forward as an option."

Ultimately, the government went with a different plan – the statutory paid parental leave scheme which took effect in January this year.

However, the Productivity Commission still noted deficiencies in the new scheme:

"The optimum amount of time that parents should be on leave for child and parent health and wellbeing, according to a range of studies, is longer than the leave scheme that the Government has introduced."

One of the reservations about introducing a longer scheme is, unsurprisingly, budgetary constraints. This is why, Higgins argues, ICLs continue to be a viable option:

"We put forward an argument that an ICL would be a useful or appropriate mechanism to supplement that leave. Although budgetary outlays can be quite high up front, you get much of that money back."

Loans are prey to the same risks that might affect a longer paid parental leave scheme, in particular moral hazard and adverse selection. Higgins explains:

"Moral hazard comes about when an individual alters his or her behaviour as a result of the financial opportunity… the obvious case in this situation is that they may decide not to go back to work. If their income never gets beyond the minimum income threshold, they never repay." Adverse selection occurs when "those people who take up the loan are the ones more likely not to repay".

The researchers proposed a structure to limit these risks: by restricting the loan duration and size; by limiting eligibility to parents with previous workforce attachment; by reducing the minimum repayment threshold; and by making the first repayment bands much lower. In addition, if you make both parents responsible, 'you dramatically increase the chance of repayment of the debt.'

The Productivity Commission endorsed the proposal as a sensible approach should the government choose to extend the duration or the amount for the existing statutory scheme. Higgins is philosophical about the chances of its adoption though:

"The problem with any of these novel ideas is that they are untested. Although it is tested for education, it was a really unique situation when HECS was introduced – a kind of perfect storm. There was a strong case for collecting revenue directly from students, but the government didn't want it to look like they were introducing fees, and HECS was a great way of going about it. And it's ultimately raised billions for government. When you are introducing novel policy that is untested and it isn't going to clearly raise substantial funds for the government or score political points, you're not going to be overwhelmed with support."

The extension of HECS to cover students' non-tuition costs is a use of ICLs that is perhaps more likely to become policy in the short term. Such schemes have been operated in the United Kingdom and New Zealand, but have yet to be employed here, despite the fact that Australia led the way in this area. Whilst students do have access to income support systems such as Youth Allowance and Austudy, a 2006 survey of student finances by Universities Australia found that:

"a majority of the student body were regularly concerned about their financial situation. [They were] undertaking outside employment and in many cases this was having a detrimental effect on their study."

The government has announced changes to income support policy which will be implemented this year. However, argues Higgins, 'there's still not enough money for students.' In the second chapter of his thesis, he sets out the motivations for extending HECS to non-tuition costs as a supplement to existing student income support policy, and his modelling shows, 'under a range of plausible assumptions…it would ▶

"...incorporating realistic lifetime income patterns, where people transition between labour force states, jobs and careers, can have a dramatic effect on the costs that we associate with ICLs." - Tim Higgins

not be costly for government and the repayment burden for students would be manageable.'

In the final chapter of his thesis, Higgins concentrates on the statistical modelling that underpins his proposals for the application of ICLs and which is central to much of his work.

"It's about developing better econometric models to project earnings for individuals ...What I wanted to show in that chapter is that incorporating realistic lifetime income patterns, where people transition between labour force states, jobs and careers, can have a dramatic effect on the costs that we associate with ICLs."

He explains that, faced with limited data - 'cross-sectional' data, which captures only a snapshot at a particular time - income models can be overly static, and based on quite broad assumptions.

"Static models don't take into account income mobility between bands over a lifetime which can occur...the more realistic dynamic income models result in higher repayment rates – quicker time to repayment – therefore lower aggregate costs."

The technique used to simulate ICL costs from these realistic income models is microsimulation.

"Instead of modelling the cohort of individuals as one unit, you model each individual debtor as one unit. So if you have 10,000 people with loans, each individual is considered as one unit in the microsimulation model. The downside is you need a lot of data to develop the stochastic models that feed into the simulation – it's computer intensive and time-consuming."

The additional time and effort can pay dividends though. By accounting for variability at an individual level, and over an extended time period, costs can be more accurately predicted for a wide range of applications where income is a factor:

"There are large-scale microsimulation models used around the world, and many of these aren't in research institutions – they are in government departments,' explains Higgins. 'They build microsimulation models to estimate social security and pension payments – anything requiring income projections. Any improvement on these earnings projections can help improve these models."

The accuracy of these more complicated earnings projections can be benchmarked against data sources which extend over a substantial period of time. Higgins cites the Household Income and Labour Dynamics in Australia survey (HILDA) begun by the Melbourne Institute in 2001, as a good example of this, and data extending over an even greater period is available in the US.

Higgins continues to work on different applications for ICLs, and is hoping to embark on a new research project with ANU colleagues further investigating the extension of HECS for non-tuition costs, as well as refining the underlying income projection modelling. The project will also consider the use of similar schemes in other countries, and the intriguing but undoubtedly challenging question of employing some kind of HECS scheme to support international students.

In this, and in his other key area of current research – financial wellbeing in retirement – statistical modelling is a common theme. However, as Higgins sums up, its application is all important:

"I've always liked maths and stats, so I've always been happy to dive into the data. But I'm only interested in statistical modelling, simulation or research more broadly if there are potential public or social benefits to the work. It's why I'm involved in researching financial wellbeing in retirement, and the ICL work. The research will hopefully have an influence in the policy debate."

Australian National University

GRADUATE STUDIES
Information Evening

This event will allow prospective graduate students to find out about ANU and the graduate coursework and research degree programs on offer. Information will also be available on the graduate studies initiative, Graduate Studies Select.

Tuesday 10 May 4–7pm

University House, Balmain Crescent, ANU

Register your interest: http://studyat.anu.edu.au/graduate_info.html

For further details contact: graduate.studies@anu.edu.au or 6125 3501

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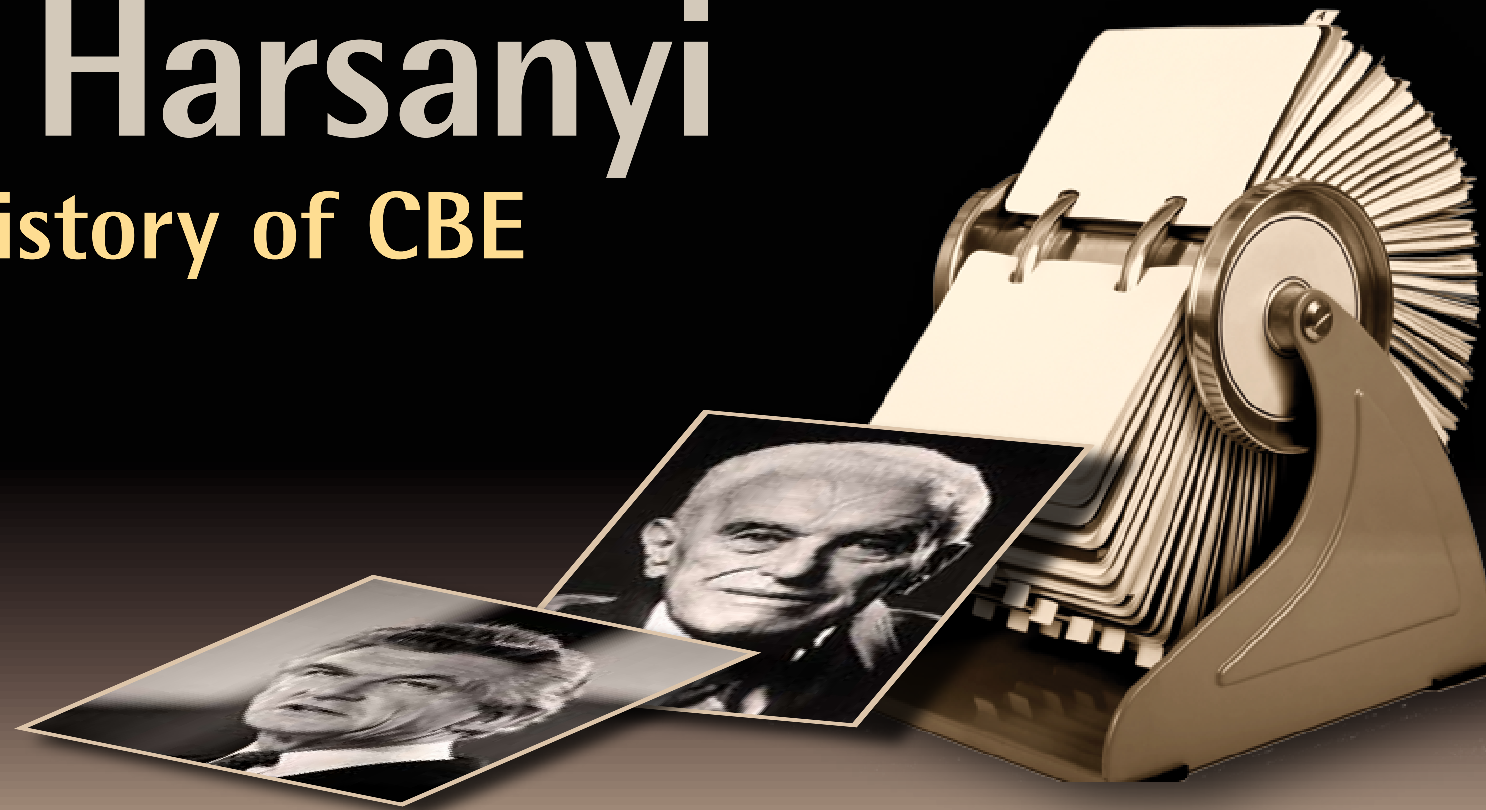
Hieser, Hawke & Harsanyi

Three 'might-have-beens' in the history of CBE



Historian Peter Yule has been delving into the ANU archives and talking to former staff and students to prepare the History of the ANU College of Business and Economics, due for publication later this year. Here he considers three significant figures from the University's past, and a College history that didn't quite happen.

Since July 2010 I have been working on a history of the College of Business and Economics. I have been told many fascinating stories and discovered quite a few untold histories. The shape of the College today was determined by numerous choices and chances over the decades and these three stories indicate how easily the history could have been different – even how a decision about a lectureship in 1958 had consequences for Australian political history in the 1980s.

Over the years ANU's Faculty of Economics and Commerce had many outstanding staff members and numerous students who have gone on to brilliant careers. But, as with all histories, there are some fascinating 'might have beens'. The stories of Ron Hieser, Bob Hawke and John Harsanyi inevitably lead to the pondering of alternative histories.

One of the first PhD students in Economics at ANU was Ron Hieser, who was born in Adelaide in 1921, left school at 15 and joined the Communist Party in the late 1930s before serving for five years in the army during World War II. After the war he studied economics at Adelaide and in 1952 published a ground-breaking work on monopoly and barriers to entry, which has recently been described as 'far ahead of any work being done at the time' . In Canberra Hieser became good friends with Bob Hawke, a PhD student in Law, and Maxwell Newton, a brilliant economics graduate who was working as a journalist for the Fairfax newspapers. The stories about the three are the stuff of ANU legend, with the central themes being the consumption of prodigious quantities of alcohol and contemptuous disregard of convention. In her recent biography of Hawke, Blanche d'Alpuget claims 'Hieser, who was eight years Hawke's senior and capable of bettering him in argument, was in the opinion of many a bad influence on Hawke'. It is possible, of course, that the bad influence was mutual!

In 1955 Hieser was appointed to a lectureship in the Canberra University College (CUC), which merged with the ANU in 1960. He remained committed to left-wing politics, but his great promise as an econometrician was increasingly overshadowed by his addiction to alcohol, which led to his sacking in 1963 and his death only a few years later. Hieser's article, 'Elasticities, Cross-elasticities, and Market Relationships', published in the American Economic Review, in June 1955 was only the second publication from the Faculty of Economics, which today would be rated as A*, though little fuss was made of it at the time. A brilliant but sadly wasted talent.

In 1958 Bob Hawke nearly followed Hieser to the Faculty of Economics when Heinz Arndt, the first Professor of Economics in the CUC, offered him a lectureship in Industrial Relations. Hawke apparently was tempted by the offer, but chose to go to the ACTU as Research Officer, where he began his steady climb through trade union ranks to the Prime Ministership.

Shortly after a future Prime Minister spurned the honour of joining the Faculty of Economics, a future Nobel Laureate also turned his back on ANU. Game theory in economics was first developed by John Nash (of *A Beautiful Mind*), with the most important early elaborations coming from John Harsanyi and Reinhard Selten – work for which all three received the Nobel Prize for Economics in 1994. To this day Harsanyi remains the only Economics Nobel Laureate to have had strong ties to Australia. Born in Hungary in 1920, Harsanyi came to Australia as a refugee in 1950 and worked in factory jobs while studying for a MEc at the University of Sydney. A professor at Sydney suggested he talk with Heinz Arndt about his research. When they met, Harsanyi explained the rudiments of game theory and Arndt suggested that he should apply it to the Australian arbitration system as a case study. Harsanyi agreed and his Master's thesis was the first empirical application of game theory in Australia, and one of the first in the world.

After completing his MEc, Harsanyi lectured in Economics at the University of Queensland for two years before applying for a Rockefeller Fellowship to study at Stanford. Arndt wrote a letter in support of the application saying that Harsanyi 'shows as much promise as any of the younger economists in this country of making original contributions to this field of economic theory.' At Stanford Harsanyi completed a PhD under the supervision of another future Nobel Laureate, Kenneth Arrow.

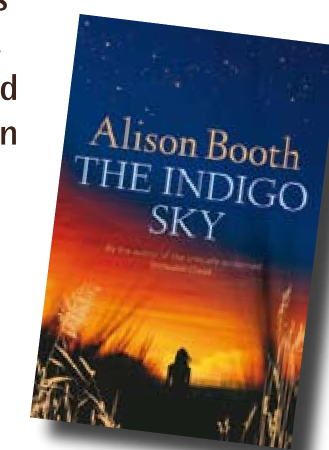
Harsanyi returned to Australia late in 1958 to take up a Senior Fellowship in the ANU, not in Economics but in Social Philosophy, indicating that game theory was appreciated more by the philosophers than the economists. Little is known of his time at the ANU and few today recall him. The ANU annual report for 1959 notes that 'Dr Harsanyi completed a number of papers on methodological problems and on the theory of games, and has now embarked upon his book on the latter topic for Stanford University Press'.

However, Harsanyi felt his research was not appreciated or understood in Australia, explaining that 'soon I felt very isolated because at that time game theory was virtually unknown in Australia', and with Arrow's assistance, was appointed to a chair in Detroit. In 1964 he moved to Berkeley where he remained for the rest of his brilliant and decorated career. Could he have been persuaded to stay at ANU by the offer of a chair in Economics? It's a tantalising speculation. ■

Photo: © Studio Vogue

The great escape

Alison Booth is a Professor in the Research School of Economics at ANU. She has been an academic economist for over 25 years, publishing extensively in the fields of economic demography and labour economics. Recently, she has turned to writing fiction. On the occasion of the publication of her second novel, *The Indigo Sky*, she talks to Margin about the similarities and differences between her two careers. BY STEPHEN GREEN



An academic economist since 1984, Professor Alison Booth has specialised in microeconomics, and in particular labour economics. The mainspring for her research focus, she says, has primarily been an interest in the social issues behind the economics.

She continues to focus on areas in labour economics in which she has built her reputation. A recent ARC Discovery Grant funded project, *Work-related training in Australia*, involved investigation into a phenomenon economists refer to as monopsony.

"It's not a term that non-economists come across much," she explains. "Basically, the simplest definition is when there is a single buyer of labour."

Monopsony is where the firm has market power in the labour market and, like monopoly, is a largely theoretical extreme of what economists refer to as 'imperfect competition'. The monopolist is able to push up prices in the product market, while, the monopsonist is able to push down wages in the labour market. In the modern world, monopsonistic conditions rarely occur solely because of a single buyer of labour. What is more likely is either what might be termed oligopsonistic competition, where only a few firms are competing for workers in the labour market, or, as is not infrequent, a high degree of locational immobility in the workforce, which is driven by personal factors. As Booth explains:

"It's often costly for people to change jobs – for example, consider the average household where two partners are working. If they have children, one partner, usually the female, will want to remain near to home, near to the local schools. So she's unlikely to shift jobs. The other partner might be free to travel more [and therefore change jobs]. So if the employer knows that she is unlikely to move,

"When I write, I concentrate very hard – for not very long – it's like going to another world, and when you come back ... you feel refreshed...it's like going down to the south coast for an hour every night." - Alison Booth

they are unlikely to promote her as fast, and will pay her less than a comparable person in a different situation. So this sort of thing has implications for gender pay differentials too. And the evidence suggests it does pervade a lot of the labour market."

In December 2009 Booth added a new string to her bow, publishing her first novel, *Stillwater Creek*. The result of five years hard work, it won her a two-book deal with publisher Random House. Just over a year later, the sequel has appeared: *The Indigo Sky*. Both novels deal with some difficult social issues – racism, paedophilia, bullying. Some of the same interests that influence her academic research have informed the subject matter of both her novels, although the results are contrasting:

"It's very much the social issues. It was interesting looking at the reviews for Stillwater Creek, because the social issues were in there, but I don't think that many reviewers were aware they were – that's probably a good thing because it means they're not being banged around the head with them. On the other hand, with my second novel, a couple of reviewers have commented that 'there's steel behind the charm'. I'm quite pleased with that as well."

A quick look through Booth's past academic papers attests to the common ground between her academic concerns and the subject matter of her fiction – for example, statistical analyses comparing Indigenous and non-Indigenous health, and ethnic and gender discrimination. More recently, she has been expanding her research into the area of behavioural economics, in order to explore how social, cognitive and psychological factors affect individuals' economic decisions. In so doing, her research uses both laboratory and field experiments in order to gather data against which economic hypotheses can be tested.

As an example, Booth is involved in an ongoing series of experiments looking at how single-sex educational environments affect competitive behaviours. A cohort of economics students were randomly allocated into co-educational and single sex groups, allowing the impact of different environments on performance and risk aversion to be measured.

"We are finding that after a few months in that environment the girls [in single sex groups] are altering their behaviour – it's having quite a marked effect on their performance. It has no effect on the boys, but on the girls it does, and we're quite excited about that."

Thus, while her fiction provides a more expansive context for her to explore social issues, it also parallels her research by exploring psychological cause and effect through narrative and character development.

The Indigo Sky contrasts the experiences of two children with very different backgrounds, both subjected to bullying: one a boy with a stutter from a privileged background, one a poor Aboriginal girl, from a loving family background. At the same time, Booth wanted to highlight the story of the Indigenous presence in the southern part of New South Wales, which she says, 'people at the time just didn't notice.'

"A very important influence when I was thinking of the first book was first of all the 'Bringing them Home' report (published in 1997). For me that was very shocking. Then I read this book by Mark McKenna, *Looking for Blackfellas' Point* [in which] he researches the history of European settlers influence on Indigenous people in the area [around Bega in southern New South Wales]. I found it quite an eye

Photo: Alison Booth

Alison Booth at the recent book launch of *The Indigo Sky* in January 2011

opener because I had no idea of the issues that were played out there...I wanted to have that as background in both novels, but particularly the second: that the Indigenous presence in these areas was quite strong and yet [white Australians] didn't seem to notice."

Booth is now in the middle of writing her third novel – the completion of a trilogy set in Sydney as well as in the fictional south coast town of Jingera. Sense of place has been a characteristic of her first two novels and has been an important aspect of the writing process for Booth:

"I love the fact that in fiction I can go into a landscape, and be in it – it relates to the fact that it's a tremendous escape. When I write, I concentrate very hard – for not very long – it's like going to another world, and when you come back to the existing world you feel refreshed...it's like going down to the south coast for an hour every night."

She is wary of the potential pitfalls though:

"I don't want to be repeating earlier descriptions that I've used in previous novels. On the other hand, the place is so important for what the characters are up to. But I've got to avoid endlessly finding ways to describe sunning on the beach!"

The new novel will also provide the challenge of a different setting:

"A little bit of it is set in Cambodia. It's quite fun visualising that. I think it's true that I need to see it – the words need to make the reader see it."

The book is set in 1971, and the young characters who feature in the first two novels are adults. It has demanded quite a lot of research into the politics of the time – the end of the Vietnam war and just prior to the Whitlam government - another similarity with academic work. Booth has also pointed to some similarities between the logic central to the academic economist's way of thinking, and the method she has used to work out the architecture of her novels:

"I constructed a matrix with each column representing one of the characters whose viewpoint I am writing from and each row representing the passage of time...this framework might seem very constraining to some writers, I find it allows me to keep track of where I am."

For all the areas of similarity, however, it is probably the differences between the two activities that are most important for the continuance of Booth's writing career. She stresses that, despite the fact that both her academic career, and fiction writing are highly cerebral activities, the latter provides a different stimulus that is actually relaxing:

"In the same way that you might read a novel to escape, to relax, this can also be that. It's because it's broken down for me mentally into these small blocks of time. It's just long enough to be an escape... It's very different from economics – that's quite confining – there's this technical language that you have to use. Whilst it's true that you are still employing mental processes it's a different language that you are using."

And while the two facets of her life are so complementary, it's unlikely that Booth will commit to writing full time:

"Sometimes I think it would be quite nice, but on the other hand, given the way I work - I can only do a little bit at a time - it might not be suitable. And I still love what I'm doing academically...also, the thing about writing is you don't earn much money from it!"

RECENT PUBLICATIONS

Shumi Akhtar and Barry Oliver, Robert Faff, Avanidhar Subrahmanyam

The power of bad: The negativity bias in Australian consumer sentiment announcements on stock returns

Journal of Banking & Finance (accepted MS)

This paper examines the equity market reaction to the monthly release of Australian consumer sentiment news. Our results indicate that consumer sentiment has valuable information content. Further, we document a version of the "negativity effect" (from the psychology literature) in which, upon announcement of bad (good) sentiment news, the equity market experiences a significant negative (no) announcement day effect. Notably, we find that the market recovers from the bad news shock relatively quickly post-announcement. The results are robust to a broad range of additional tests.

Andre Bonfrer, Michael Braun

Scalable inference of Customer similarities from interactions data using Dirichlet Processes

Marketing Science (accepted MS)

Under the sociology theory of homophily, people who are similar to one another are more likely to interact with one another. Marketers often have access to data on interactions among customers from which, with homophily as a guiding principle, inferences could be made about the underlying similarities. However, larger networks face a quadratic explosion in the number of potential interactions that need to be modeled. This scalability problem renders probability models of social interactions computationally infeasible for all but the smallest networks. In this paper we develop a probabilistic framework for modelling customer interactions that is both grounded in the theory of homophily, and is flexible enough to account for random variation in who interacts with whom. In particular, we present a novel Bayesian nonparametric approach, using Dirichlet processes, to moderate the scalability problems that marketing researchers encounter when working with networked data. We find that this framework is a powerful way to draw insights into latent similarities of customers and we discuss how marketers can apply these insights to segmentation and targeting activities.

Andre Bonfrer, Sundar Bharadwaj, Kapil Tuli

The Impact of Brand Quality on Shareholder Wealth

Journal of Marketing (Accepted MS)

This study examines the impact of brand quality on three components of shareholder wealth, stock returns, systematic risk and idiosyncratic risk. The study finds that brand quality enhances shareholder wealth as unanticipated changes in brand quality are positively associated with stock returns and negatively related to changes in idiosyncratic risk. However, unanticipated changes in brand quality can also erode shareholder wealth as they have a positive association with changes in systematic risk. The study introduces a contingency theory view to the marketing-finance interface by analysing the moderating role of two factors that are widely followed by investors. The results show an unanticipated increase (decrease) in current-period earnings enhances (depletes) the positive impact of unanticipated changes in brand quality on stock returns but mitigates (enhances) their deleterious effects on changes in systematic risk. Similarly, brand quality is more valuable for firms facing increasing competition (i.e., unanticipated decreases in industry concentration). The results are robust to endogeneity concerns and across alternative models. The authors conclude by discussing the nuanced implications of their findings for shareholder wealth, reporting brand quality to investors and its use in employee evaluation.

Robert Breunig and Rebecca McKibbin

The effect of survey design on household reporting of financial difficulty

The Royal Statistical Society – Series A (Statistics in Society) (Vol 174, Part 4)

We compare two Australian studies which ask households to report on the incidence of specific events of financial difficulty such as failure to pay the utility bill on time or seeking help from welfare agencies. Although collected within the same year, the two studies use markedly different survey methodologies. One study uses a written self-completion questionnaire completed after a face-to-face interview, asks about individual experience of financial difficulty and interviews each member of the household over the age of 15 years. The other study uses a computer-assisted face-to-face interview and asks one randomly selected member of the household about the household level experience of financial difficulty. We find substantial differences in response rates, even after controlling for individual and household characteristics. The self-completion questionnaire elicits 33% more reports of financial difficulty for singles and 36% more for couple-headed households.

Alessandra Capezio, John Shields, Michael O'Donnell

Too Good to be True: Board structural independence as a moderator of CEO Pay-For-Firm-Performance in Australian Corporations

Journal of Management Studies

Whether voluntary or mandatory in nature, most recent corporate governance codes of best practice assume that board structural independence and the application by boards of outcome-based incentive plans are important boundary conditions for the enforcement of Chief Executive Officer (CEO) pay-for-firm-performance; that is, for optimal contracting between owners and executive agents. We test this logic on a large Australian sample using a system Generalised Method of Moments (GMM) approach to dynamic panel data estimation.

We find that Australian boards exhibiting best practice structural arrangements – those chaired by non-executives and dominated by non-executive directors at the full board and compensation committee levels - are no more adept at enforcing CEO pay-for –firm-performance than are executive-dominated boards. These findings suggest that policy makers' faith in incentive plans and the moderating influence of structural independence per se may be misplaced.

Our findings also hold significant implications for corporate governance theory. Specifically, the findings lend further support to a contingency-based understanding of board composition, reward choice and monitoring; an approach integrating the insights afforded by behavioural approaches to Agency Theory and by social-cognitive and institutional understandings of director outlook, decision-making and behaviour.

Richard Cornes, Wolfgang Buchholz, Dirk Rübbelke

Interior Matching Equilibria in a Public Good Economy: An Aggregative Game Approach

Journal of Public Economics (Accepted MS)

If the equilibrium generated by a matching mechanism is to be the desired Pareto optimal outcome, it is necessary for every player to be at an interior solution at that equilibrium. Using the aggregative game approach developed by Cornes and Hartley (2003, 2007), this paper analyzes the conditions under which matching mechanisms in a public good economy lead to interior matching equilibria at which all agents make strictly positive flat contributions to the public good. In particular, we show that the distribution of income among the agents is crucial for both the existence of interior matching equilibria and Warr neutrality in the case of matching.

Mohamed Elbashir, Philip Collier, Steve Sutton

The Role of Organizational Absorptive Capacity in Strategic Use of Business Intelligence to Support Integrated Management Control Systems

The Accounting Review (published on-line & in Journal January 2011)

This study examines the influence of organizational controls related to knowledge management and resource development on strategic integration and use (i.e., assimilation) of business intelligence (BI) systems. BI systems use analytics and performance management concepts to leverage enterprise system databases and provide core management control system (MCS) capability. Our results indicate that organizational absorptive capacity (i.e., the ability to gather, absorb, and strategically leverage new external information) is critical to establishing appropriate technology infrastructure and to assimilating BI systems for organizational benefit. Further, findings show that while top management plays a significant role in effective deployment of BI systems, their impact is indirect and a function of operational managers' absorptive capacity. In particular, this indirect effect suggests that leveraging BI systems is driven from the bottom up as opposed to the top down. This differentiates BI from other isolated strategic MCS innovations that have traditionally been viewed as top management driven.

Sigi Goode, Kerry Jacobs, David Lacey, Suresh Cuganesan

Celebrating Adversity: Inter-Organizational Dependence and Public Sector Performance Reporting in the Australian Federal Police

Public Administration: an international quarterly covering public administration throughout the world (accepted MS)

Many aspects of public policy delivery involve complex networks rather than independent agencies. Yet little work has been done to understand the nature of performance measurements in settings where the performance of one agency is heavily dependent on the activities of other agencies. The issue of dependence has implications for operational and reputational risks. Our case study is focused on performance reporting by the Australian Federal Police (AFP). Our findings indicate that performance reporting remains heavily focused on input and process measures with relatively few output or outcome measures. Contrary to expectation, the AFP did not claim credit for success and attribute poor performance to other stakeholders. However, a higher than expected proportion of the dependent performance measures were positively framed.

Tue Gorgens and Xin Meng, Rema Vaihianathan
Stunting and Selection Effects of Famine: A Case Study of the Great Chinese Famine
Journal of Developmental Economics (accepted MS)

Many developing countries experience famine. If survival is related to height, the increasingly common practice of using height as a measure of well-being may be misleading. We devise a novel method for disentangling the stunting from the selection effects of famine. Using data from the 1959-1961 Great Chinese Famine, we find that taller children were more likely to survive the famine. Controlling for selection, we estimate that children under the age of five who survived the famine grew up to be 1 to 2 cm shorter. Our results suggest that if a country experiences a shock such as famine, average height is potentially a biased measure of economics conditions during childhood.

James Jiang, Christina Chang, Victor Chen, Gary Klein
Information system personnel career anchor changes leading to career changes
European Journal of Information Systems

Career anchors represent personal desires of employees that must be satisfied in order for organisations to attract and retain good workers. Career stages represent advancements along the paths of employment that an individual can take through an organisation or chain of organisations that represent professional growth and increased value to an organisation. Though research is prevalent on career anchors and career stage models, works that look at changes in one as the other changes are missing from the literature. Due to that lack, it is usually concluded that anchors reflect changes in careers as Information systems (IS) employees advance through their career stages. However, expectancy-value theory leads us to expect that the causality may be reversed, that career anchors change leading employees to value alternative positions more highly. Drawing on the career changes of 10 IS employees, we examine the changes in anchors though progressive career stages. While technical competence and security anchors are important at all stages of an IS career, managerial competence, geographic security, and autonomy become more important in the latter stages and are often adjusted prior to career movement. Management should account for these changes while designing jobs and incentives, while further research is required to confirm dominant patterns of change.

Simon Restubog, Stephen Frenkel, Min Li
Management, organizational justice, and emotional exhaustion among Chinese migrant workers: Evidence from two manufacturing firms
British Journal of Industrial Relations (accepted MS)

This article explores how HR policies and practices influence employee perceptions of organizational justice, which in turn impacts employee emotions and feelings of emotional exhaustion. Using structural equation modelling and based on employee survey data drawn from two manufacturing organizations, we find that a strong HR system (Bowen & Ostroff 2004) – perceived by workers as distinctive, attractive and consistently implemented – fosters perceptions of distributive, procedural and interactive justice. However, only distributive injustice leads to negative emotions and emotional exhaustion. This is explained by reference to the cultural and institutional context (China), status (migrant), and type of workers (semi-skilled, manual) included in the study. We discuss the theoretical and practical implications that arise from these findings.

Simon Restubog, Kristin Scott, Tom Zagecxyk
When distress hits home: the role of contextual factors and psychological distress in prediction employees' responses to abusive supervision
Journal of Applied Psychology (accepted MS)

We develop a model of the relationships among aggressive norms, abusive supervision, psychological distress, family undermining, and supervisor-directed deviance. We tested the model in two studies using multi-source data: a three-wave investigation of 184 full-time employees (Study1) and a two-wave investigation of 188 restaurant workers (Study 2).

Results revealed that (1) abusive supervision mediated the relationship between aggressive norms and psychological distress; (2) psychological distress mediated the effects of abusive supervision on spousal undermining, (3) abusive supervision had a direct positive relationship with supervisor-directed deviance, (4) the positive relationship between psychological distress and family undermining was stronger for men as opposed for women; and (5) employees engaged in relationship-oriented occupations reported greater levels of abusive supervision and psychological distress. Implications for theory and practice are discussed.

Steven Roberts, Borek Puza, Mo Yang
Constrained confidence intervals in time series studies of mortality and air pollution
Environment International

This paper focuses on constrained confidence intervals in the context of environmental time series studies where one seeks to ascertain the effects of ambient air pollution on human mortality. If the regression parameter representing such effects in non-negative, corresponding to a belief that more pollution cannot be beneficial, a desirable goal is to produce a constrained confidence interval for the parameter which is entirely non-negative. We show how this goal can be achieved using the method of tail functions. The proposed methodology is illustrated by the application to an environment al study of 100 cities in the United States involving regressions of mortality counts on levels of particulate matter air pollution. The large number of constrained CIs that contain zero is an indication that for the majority of the 100 cities there is not enough evidence to conclude a positive association between air pollution and mortality.

Ronald Stauber
Knightian Games and Robustness to Ambiguity
Journal of Economic Theory

This paper introduces a notion of robustness to ambiguous beliefs for Bayesian Nash equilibria. An equilibrium is robust if the corresponding strategies remain approximately optimal for a class of games with ambiguous beliefs that results from an approximately defined perturbation of the belief structure of the original non-ambiguous belief game. The robustness definition is based on a novel definition of equilibrium for games with ambiguous beliefs that requires equilibrium strategies to be approximate best responses for all measures that define a player's belief. Conditions are derived under which robustness is characterised by a newly defined strategic continuity property, which can be verified without reference to perturbations and corresponding ambiguous belief games.

John Tang
Technological leadership and late development: evidence from Meiji Japan, 1868 – 1912
The Economic History Review

Large family-owned conglomerates known as zaibatsu have long been credited with leading Japanese industrialisation during the Meiji period (1868-1912), despite a lack of empirical analysis. Using a new dataset collected from corporate genealogies to estimate entry probabilities, it is found that characteristics associated with zaibatsu increase a firm's likelihood of being an industry pioneer. In particular, first entry probabilities increase with industry diversification and private ownership, which may provide internal financing and risk-sharing, respectively. Nevertheless, the costs of excessive diversification may deter additional pioneering, which may account for the loss of zaibatsu technological leadership by the turn of the century.

Gary Twite, Gloria Tian
Corporate Governance, External Market Discipline and Firm Productivity *J*
Journal of Corporate Finance (Accepted MS)

Using a sample of Australian companies over the 2000-2005 period, we examine the impact of internal corporate governance on firm's total factor productivity, taking into account the interaction between internal governance and external market discipline. Our empirical findings point to a substitution effect between product market competitiveness and firm-level corporate governance. Overall, internal corporate governance mechanisms – more efficient boards and greater CEO stock-based compensation – are effective instruments for improving firm productivity. However, internal governance is less effective when a firm faces a highly competitive product market. We find only weak empirical support for an association between firm's ownership structure and productivity, and no support for an association between industry takeover intensity and firm productivity.

Gary Twite, Joseph Fan, Sheridan Titman
An International Comparison of Capital Structure and Debt Maturity Choices
Journal of Financial and Quantitative Analysis (Accd MS)

This study examines the influence of institutional environment on capital structure and debt maturity choices by examining a cross-section of firms in 39 developed and developing countries. We find that a country's legal and tax system, the level of corruption and the preferences of capital suppliers explain a significant portion of the variation in leverage and debt maturity ratios. Our evidence indicates that firms in countries that are viewed as more corrupt tend to use less equity and more debt, especially short-term debt, while firms operating within legal systems that provide better protection for financial claimants tend to have capital structures with more equity, and relatively more long-term debt. In addition, the existence of an explicit bankruptcy code and/or deposit insurance is associated with higher leverage and more long-term debt. We also find that firms tend to use more debt in countries where there is a greater tax gain from leverage, while firms in countries with larger government bond markets have lower leverage, suggesting that government bonds tend to crowd out corporate debt. Countries with more extensive defined benefit pension funds have higher debt ratios and longer debt maturities, whereas those with more extensive defined contribution fund activities have lower debt ratios. In addition, debt ratios are lower in countries that limit the bond holdings of pension funds. Finally, we do not find a significant association between financing choices and the size of the insurance company.

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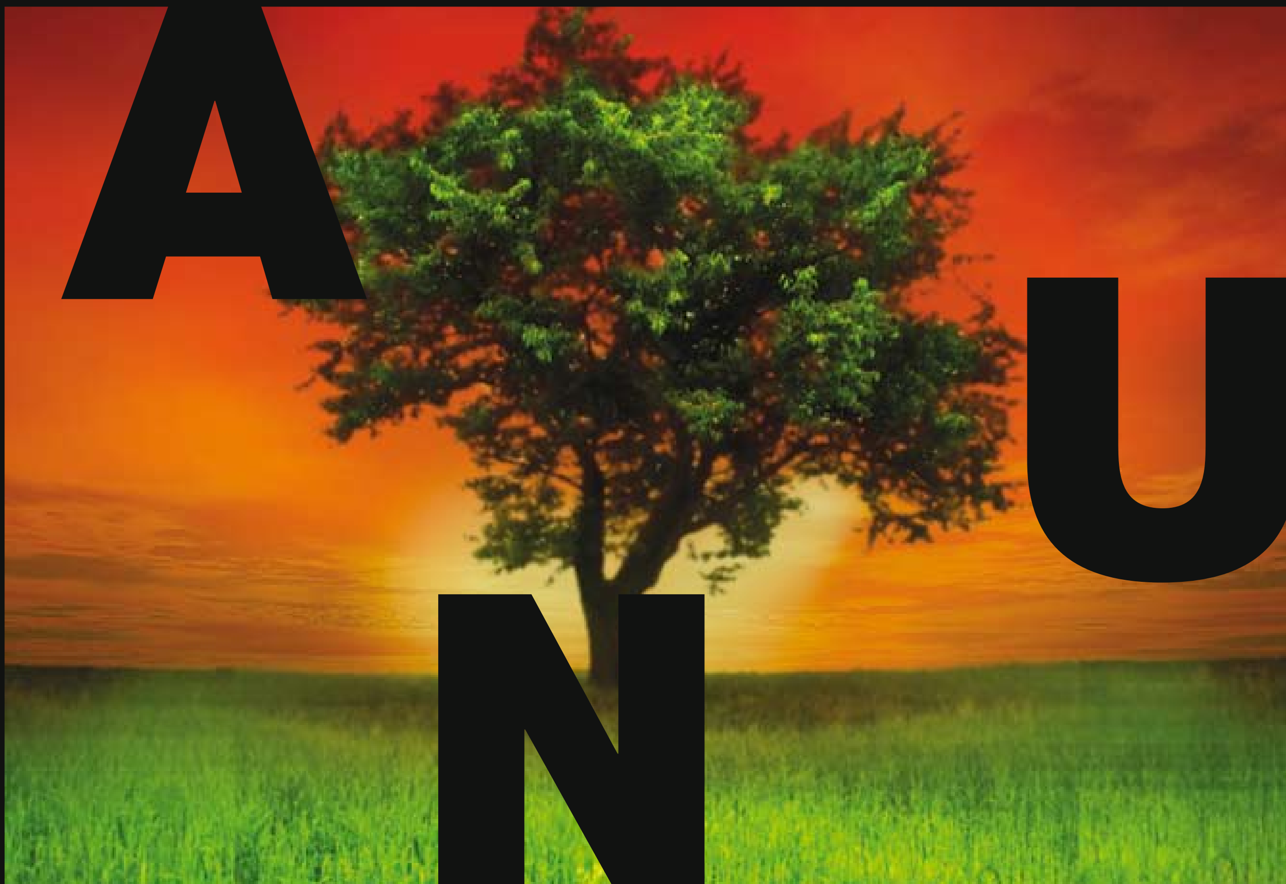

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