

THE AUSTRALIAN NATIONAL UNIVERSITY

MARGIN

ANU College of Business & Economics
Quarterly Magazine

April 2012

The taste of branding

Is bottled water more than it seems?

The economics of hindsight

The lessons of history for today's economists

Cyber-temptation

Slacking in the 21st Century



From the Dean's Desk

The continuing success of the ANU College of Business and Economics is built upon the strength of its academic endeavour across the full range of business and economics related disciplines. It is thanks to our legacy of research excellence that we count amongst our academic staff some of the foremost authorities in their fields. The College continues to attract leading practitioners in their fields, and to provide a fertile environment in which to develop young talent.

The benefits of this healthy platform of high quality research for the College's student population are enormous. Our teaching is research-led, meaning that our courses are informed by the latest research, and that our degree program design reflects the latest advances in each discipline. Students at any level know, therefore, that they will be wholly absorbed into the dynamic process of academic enquiry, rub shoulders with leading figures in their chosen study areas, and can truly feel they are part of a world-class centre of knowledge.

The research focus of the College has now been further boosted by recent changes in its structure. Within the College, research and teaching activity will be administered by four research schools. In addition to the existing Research School of Economics, there are now the Research School of Accounting and Business Information Systems, the Research School of Finance, Actuarial Studies and Applied Statistics, and the Research School of Management. This restructure has helped refine the alignment of research effort to individual discipline areas, and again strengthens the link between research and education.

At the same time, the College as a whole fosters close interdisciplinary relationships across business and economics disciplines. They are an essential feature of the College ethos, which ensures the freshness and relevance of our course offerings, the range and impact of our research, and the strength of our voice in influencing debate, in public policy, in industry and professional institutions, and across the academic world.



Professor Jayne Godfrey
Dean and Director
ANU College of Business and Economics

MARGIN

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College honours Professor Allan Barton



Professor Allan Barton

In recognition of his outstanding achievements, the ANU College of Business and Economics has named the College's function room after distinguished accountant and economist Professor Allan Barton.

The official naming ceremony for the 'Allan Barton Forum' was held on Friday 9 December 2011, and featured addresses from the ANU Pro-Vice Chancellor (E-Strategies), Professor Robin Stanton, Dean and Director of the ANU College of Business and Economics Professor Jayne Godfrey, and from Professor Allan Barton himself.

Professor Barton stated that, while it had taken him by surprise, he was greatly honoured by the proposal to name the Forum after him and accepted with pleasure.

Allan Barton was Professor of Accounting at ANU for over thirty years, during which he taught nearly three generations of economics and accounting students. He was a tireless advocate of Keynesian economics and a critic of the Chicago school free-market tradition. His sharpness of insight and strength of opinion remained undiminished throughout his career, as did his output in academic publications and newspaper releases challenging anything he regarded as an example of poor thinking.

Professor Barton served on many advisory committees and boards and held a number of University administrative roles. He was Head of the Department of Accounting and Public Sector Finance from 1975 to 1980, and Dean of the Faculty of Economics between 1979 and 1983. He was also a member of the University Council from 1983 to 1986, and served as ANU University Treasurer from 1984 to 1991, and as Pro Vice Chancellor (Finance and Development) from 1992 to 1996.

While he formally retired in 1998, Professor Barton has continued to contribute to the University as an

Emeritus Professor and as an active member of the Research School of Accounting and Business Information Systems. His influence on the thinking of successive generations of public administrators, policy makers, academics and accountants has been substantial.

Speaking at the naming ceremony, Dean of the ANU College of Business and Economics, Professor Jayne Godfrey paid tribute to Professor Barton's influential contribution to education and research, and to the discipline of accounting:

"[Allan Barton's] economics grounding is a lesson to all of us who are accounting academics. Right from the first year courses that he taught as foundation Professor of Accounting at Macquarie University in the late '60s, Allan has used theoretical underpinnings to explain accounting and its role."

This approach is exemplified in Professor Barton's ground-breaking textbook, *The Anatomy of Accounting*, which, as Professor Godfrey pointed out, "was for many years the most widely used accounting textbook in Australian New Zealand and the United Kingdom".

Professor Godfrey also highlighted Professor Barton's contribution to the current cost accounting debate

during the 1970s, and in particular his influential paper: *Expectations and Achievements in Income Theory*, (published in the *Accounting Review* in 1974) which "became compulsory reading for any study of accounting theory during the era of high inflation."

Professor Godfrey went on to outline the pivotal role that Professor Barton has played in the development of the ANU College of Business and Economics. During a period of austerity and budget cuts coupled with tremendous teaching loads, Professor Barton, as Head of the Department of Accounting and Public Sector Finance, and then as Dean of the Faculty of Economics, demonstrated great managerial skill in steering the faculty through challenging times, shouldering much of the teaching load himself. He is in particular, "greatly respected for holding the faculty together during fierce debates over the position of accounting within the Bachelor of Economics degree." Appropriately, his tenure as Dean culminated in the establishment of the Bachelor of Commerce program, through which nearly three decades of accounting students have pursued their undergraduate studies, and which remains a centerpiece of the College's undergraduate offerings.

Although he formally retired in 1998, Professor Barton has remained a highly active teacher and researcher.

"It is interesting to reflect", said Professor Godfrey, "that over the years Allan taught almost every accounting and economics subject offered by the College in its early days."

In his speech Professor Barton reflected on the close relationship between accounting and economics,

and the importance of acknowledging this and other interdisciplinary relationships within tertiary education:

"Disciplines should not be narrowly defined and exclude the important interrelationships which occur between them. The College framework can facilitate bringing the disciplines together to take advantage of their overlapping boundaries as occurs in the real world."

The significance of this overlap between economics and accounting, in particular, was demonstrated, he said, during the Global Financial Crisis:

"By not accounting for... complex derivative securities properly and hiding their high risk characteristics, the 'investment banks' completely misled the markets and investors lost many billions of dollars ... Had the securities been properly accounted for and the information been publicly reported, the

GFC could not have occurred."

Professor Barton concluded by pointing out that when one acknowledged the way economics and accounting are interwoven, and worked to maintain and strengthen ties between them, it enhanced both their relevance to the real world, and the appeal of the individual disciplines.

Professor Barton is himself a perfect example of this close synergy between two academic disciplines and it is therefore fitting that his name should be attached to a meeting space within the College that very much fosters the same ideal.

The 'Allan Barton Forum' is a multi-purpose venue which hosts academic seminars, teaching symposia, social gatherings and official university events. It is located on the second floor of the ANU College of Business and Economics Building.



Professor Allan Barton with Professor Jayne Godfrey, Dean and Director of the ANU College of Business and Economics, at the naming ceremony.

ARC Grant success 2011

Seven academics from the ANU College of Business and Economics were successful in their applications for Australian Research Council (ARC) Discovery and Linkage grants in the most recent round of awards, which were announced in November 2011.

As part of the ARC's National Competitive Grants Program, the Discovery Grants offer funding for work undertaken by individuals or small teams, while the Linkage Grants support collaborative efforts between higher education researchers and other parts of the national innovation system.

The following academics have been awarded Discovery grants for projects led by the ANU College of Business and Economics:

Associate Professor Renee Fry received an ARC Discovery Grant for her project, "Commodity cycles". This will investigate various factors involved in the commodity-driven economy, such as the influence of emerging markets in mitigating or amplifying financial shocks; the role of exchange rate adjustments; and the effects of currency collapse.

Associate Professor John Stachurski, together with Professor Takashi Kamihigashi (Kobe University, Japan) received an ARC Discovery Grant for their project, "A new approach to stability analysis for economic systems". This project was one of only

26 proposals that were recognised through the prestigious award of a Discovery Outstanding Researcher Award (DORA) to Professor Stachurski.

Dr Ralf Steinhäuser and Dr Emma Aisbett received an ARC Linkage Grant for their project, "Estimating the impact of fiscal stimulus on household expenditure", with Dr Markus Brueckner (University of Adelaide) and Ms Liyi Pan (PhD student from the Crawford School of Economics & Government).

The following researchers from the College are Chief Investigators on projects submitted through other institutions:

Professor Shirley Gregor received an ARC Discovery Grant with the University of Canberra for the project, "The impact of strategic alignment on IT outsourcing success in a complex service setting".

Associate Professor Rodney Strachan, received an ARC Discovery Grant with the University of Queensland for the project, "Estimation of the continuous piecewise linear model and macroeconomic application".

Professor Prashant Bordia received an ARC Linkage Grant with the University of Queensland for the project, "A multi-level approach to the management of demands and resources to minimise the risk of psychosocial injury in the workplace".

Go8 Research Grant for RSE lecturer



Dr Mathias Sinning, Senior Lecturer in the Research School of Economics, has been successful in gaining a Group of Eight Australia-Germany Joint Research Co-operation Scheme Project grant.

As part of the recent fifth funding round announcements, Dr Sinning was awarded the grant for his project entitled: "Innovative Financing Mechanisms for International Migration".

Through this joint initiative scheme, Dr Sinning represents the ANU and the Group of Eight as the Australian Project Leader, and will be working in collaboration with a German Institution, the Rheinisch-Westfälisches Institute for Economic Research, and a German Project Leader, Professor Thomas Bauer.

Dr Sinning will receive support and funding from the Joint Research Co-operation Scheme Project to further his work during the years 2012 and 2013.

Early career research awards



Dr Shumi Akhtar

Two ANU College of Business and Economics researchers have gained funding through the Australian Research Council (ARC) Discovery Early Career Researcher Awards (DECRA's).

The DECRA's are part of the Discovery program specifically aiming to create opportunities and provide focused support for researchers who have only recently been awarded their PhDs.

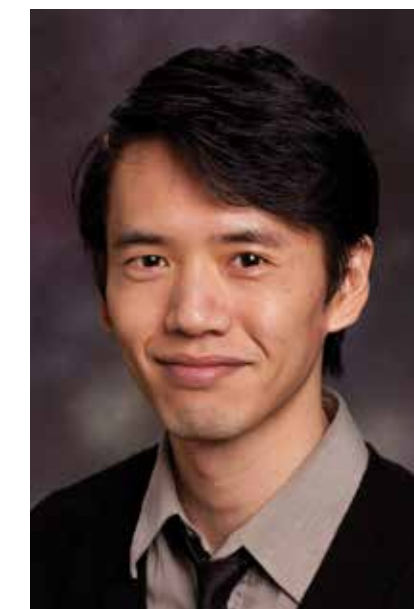
Finance lecturer Dr Shumi Akhtar, and Dr John Tang from the Research School of Economics, each received awards which will provide funding to further their research over the next three years.

Dr Akhtar's award will fund her study: *New approach to testing Merton's inter-temporal asset pricing model to*

enhance risk management and reduce complexity in financial markets globally. She proposes a model aiming to better inform investor decisions through an increased understanding of financial market risk-return tradeoffs.

Dr Tang's successful project is entitled: *Understanding industrialisation, entrepreneurship, and technology adoption in emerging economies: new evidence from historical Japanese firms.* The research will provide important new data for measuring economic growth determinants during Japan's pre-war industrialisation.

Dr Akhtar's was one of only three awards Australia-wide in the Banking, Finance and Management category, while Dr Tang was one of only eight researchers receiving an award for Applied Economics.



Dr John Tang

College Teaching Awards 2011

Each year, the College celebrates the contribution of its outstanding educators with Excellence in Teaching Awards.

Recipients in 2011 were Dr Andrew Bradly and Professor Kerry Jacobs (Award for Excellence in Teaching), Mr Jozef Drienko (Award for Excellence in Tutoring), and Associate Professor Greg Shailer (Award for Excellence in Research Supervision).

Management lecturer Dr Andrew Bradly has coordinated and delivered 12 courses across a variety of subjects over the past two years alone, and has received outstanding evaluations from his students.

Professor of Accounting Kerry Jacobs' teaching is characterised by passion and innovation, clearly reflected in feedback from his students: "encouraged...out of the box thinking", "brain-stretching", "thought-provoking".

Mr Jozef Drienko of the Research School of Finance, Applied Statistics and Actuarial Studies is in great demand as a tutor by both staff and students. His excellent rapport with students creates an ideal learning environment. His quick and detailed feedback ensures students continue to learn and develop.

Associate Professor Greg Shailer of the Research School of Accounting and Business Information Systems, is currently supervising seven PhD students, and has supervised 10 students to completion over the past five years. His supervision is characterised by an ability to adapt to students' individual personalities and abilities.



The taste of branding

Just how powerful is the influence of branding on our food purchasing decisions, on our water purchasing decisions even? In an innovative study for his research thesis, recent ANU Honours graduate BEN HAMER found that there's more to bottled water than meets the taste buds. He shares some of his research findings here.

"Brands have a far greater impact on our purchasing decisions than we think," says Honours student Ben Hamer. Hamer recently completed his honours thesis, based on research into the influence of branding in bottled water. Working with his supervisor, marketing lecturer Dr Stephen Dann, he found that consumers are willing to spend more money and pay a price premium for what they believe to be a superior brand – despite the fact that a cheaper brand uses identical water.

Consumer responses were tested using a unique 'reverse blind taste test' research method designed specifically for the study. Participants thought that they were trying three different brands of bottled water, when they were actually sampling the same brand each time.

"By providing the same water, we can rule out actual differences in taste, flavour or even chemical composition, and just focus on the effects of the brand," says Hamer. "We were interested in seeing if the label made a difference, since a blind taste test is usually about proving the similarity of a product," says Dr Dann. "We picked products by brand and label, in order to investigate the influence of the logo on the consumers' perceptions. It turned out to be a lot more influential than we expected."

Another surprising aspect of the findings was the differences between what consumers believed about their attitudes to branding, and what their actual responses revealed. Most consumers professed an antipathy towards bottled water brands, and also had confidence in their resistance to branding. Given that the participants tasted the exact same water across each brand, the product ratings should have come out identical. However, the findings from the reverse blind taste test showed that participants perceived non-existent differences between the brands, and rated them as tasting significantly different – all on the strength of an assumption.

"Before this I thought all bottled water tasted the same, but after tasting them together I can see the difference," commented one respondent.



Honours graduate Ben Hamer

"I was surprised that I could definitely taste the difference. I always buy Mount Franklin and the taste test proved that it tastes the best," said another.

"Participants were genuinely surprised to discover that the water was identical," says Hamer.

Whilst people think that they are immune to the effects of branding, the results showed that brands have a bigger influence on our purchase decision than we as consumers are prepared to admit. But what is it that motivates consumers to buy one brand over another? Isn't water just water?

In theory, price was supposed to be the primary decision maker in bottled water preference. Hamer's study raised the question of whether the price tag or the brand behind it was the major influence. Hamer conducted research with 150 students from The Australian National University, asking them how they chose their brand of bottled water. Does branding influence the consumer's choice of a particular brand of bottled water, or do they simply buy the cheapest available offering?

"It was interesting to see that Mount Franklin, which is the market-leading brand in Australia, was found to taste far superior than the home brand alternative, even though, in reality, participants were tasting the same product," says Hamer. "Believing the market leader is a better quality product because it's the market leader is interesting – particularly when you're dealing with a situation where you can conclusively rule out real differences between the product samples."

"Most blind taste tests are designed to prove the similarity of two products. It's supposed to be an 'a-ha moment' when you can't distinguish your preferred brand from a

rival's product. What we wanted to know is if you have the same product, but different branding, can the consumer spot the similarity?"

The study also revealed a few interesting insights into how people think about bottled water. "It's a lot more complicated than most commentators have given it credit," said Dr Dann. "The preference for a product isn't just about the label and logo. There's a lot more happening in the decision process, but because it's 'just water' we've tended to dismiss it."

Hamer's research looked at the other influences – beyond taste – which made an impact on the choice of water brands. He found that the major influences on the consumer's purchase decision are the quality of the product (the water), the nature of the packaging (the bottle), and the way the drinker perceives their brand (the personality). Whilst consumers usually prefer to make their choice on apparently rational decisions about water and the bottle, there was also the unexpected influence of the brand's persona.

The research uncovered an unlikely connection between the way people saw the personality of the brand, and how a clash of personality between their world view and the brand had an impact.

"Personality and water aren't commonly associated. Most people would tell you, 'it's just water,' when you asked them about it directly, and then proceed to tell you at length why a competitor brand was wrong, bad or they didn't like it."

It also found that, much like dealing with other people, most consumers didn't want a pushy brand, or even one with a strong personality.

“
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commonly associated. Most people
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”

"There was a really negative response where a brand was seen as having a distinct strong personality. It probably doesn't help that most people don't really want to have their food exhibit strong personalities and interpersonal relationships." The negative influence of brand personality on the preference increases as the brand's personality and image is strengthened.

"This is consistent with a sentiment of anti-brand consumption in the market. People don't want to pay a premium for a product when they're not feeling any benefit for the extra money they've paid," says Dr Dann. "The market just isn't interested in sponsoring a loud mouth brand for the sake of hearing about how great the brand thinks it is – we don't talk to that type of person at a party, and we don't pay for that kind of brand."

"This is one of the issues for the industry to really think about. People will pay extra if they really believe they're getting something for their money – even if we'd call it an imaginary benefit as an outside observer. The reverse blind taste test showed that people honestly felt they had different experiences and reported different flavours from identical samples of water."

Hamer commented that the findings certainly supported the investment that companies make in branding activities, even for something as commonplace as water. "The taste sensation is subjective, and subjectivity is a big part of how we make decisions, choose our favourites, and decide if it's bottle versus tap next time."

The study also provides additional insight as to the most effective approach for practitioners in compiling and executing a product strategy for marketing bottled water. Changing and enhancing the consumer's perception of the water was a big part of the process. Given that the same water with a different label produced different sensations, the messages around the label become increasingly important. Both researchers concur that Mount Franklin had succeeded in capturing the mindshare of the market – when their logo was present at least.

"In its advertising Mount Franklin talks about itself as 'Australia's favourite premium bottled water brand' with 'great taste and quality you can trust'", says Hamer. "Telling the market outright about the flavour seems to have worked", he concludes. ■



Cyber - temptation

Cyberloafing, the practice of using the internet for personal use on work time, is an increasing problem for the modern organisation, impacting on resources and productivity. A recent ANU research project examined some of the factors influencing this behaviour.

BY STEPHEN GREEN

We work online, we play online, we communicate online and increasingly, we transgress online. We take for granted the use of both a personal computer and access to the internet as a feature of our workplaces. For many of us it would be hard to imagine carrying out our jobs without internet access. At the same time, the internet has overtaken the television as the primary source of entertainment in the home. Increasingly we live our lives in a cyber-environment.

The result of this is that traditional boundaries between work and leisure have become blurred. Now we don't even have to take work home with us if we have an urgent deadline to meet – it is there to access any time – from home, or on the move. Conversely, while we are officially 'at work', personal emails, messaging, social media – Facebook and the like – and the whole wide world of the internet are just a click away. There is a constant temptation to set aside our work and catch up on the gossip, check our emails, or just surf the net.

PhD students Lemuel Toledano (r), Laramie Tolentino (c) and Patrick Garcia (r)

‘Net abuse’ popularly termed ‘cyberslacking’ or ‘cyberloafing’ has increasingly become an issue of concern for many companies, with the financial impact on productivity alone estimated in the billions of dollars a year. Studies have suggested that between 30 and 65 percent of internet use in the workplace is not work-related. Increasingly, it is seen as an issue that demands an organisational policy, and this can provoke fierce debate. By allowing employees unrestricted use of the internet, are companies just avoiding the issue – allowing such behaviour to erode productivity? At the other end of the scale, are measures such as banning the use of certain sites, restricting access to the internet, or monitoring employee internet use, overly draconian? And could such measures be counterproductive in themselves?

Whatever technical response to the issue might be considered, companies still need to acknowledge the potential causes. While the internet has provided employees with a new and highly accessible means of wasting work time, cyberloafing is in essence just another form of counterproductive behaviour – like taking extended lunch breaks or faking an illness. As such, it can be seen as a manifestation of an employee’s feelings about his or her work environment, attitude to work in general, or indeed his or her overall personality.

Research into cyberloafing in the past has tended to focus on situational factors – in particular perceptions of organisational injustice: in other words cyber-loafing as a means of retaliation against the organisation. There has been limited empirical work to illuminate the contribution of an individual’s personality to the behaviour.

Three ANU PhD students: Patrick Garcia, Lemuel Toledano and Laramie Tolentino were part of a research team seeking to address this in an extensive study centred on a large university in the Philippines. Together with their supervisor, Professor Simon Restubog of the Research School of Management at ANU, and colleagues in the Philippines (Rajiv Amarnai, an incoming PhD student at ANU and Robert Tang), they examined the interaction of a situational variable (organisational justice) with a personality variable (self-control) to predict cyberloafing behaviour. As Patrick Garcia explains:

“We hypothesised that people engage in cyberloafing behaviour when they feel mistreated, either through the organisation’s procedures or by people within the

organisation, such as their supervisors,” he says. “But we also thought that aside from situational factors there is probably something within the individual – so we looked at self-control which has been shown to be an important variable in predicting aggression and counterproductive work behaviour.”

Some other deficiencies in previous research were also addressed. The project involved the participation of 238 pairs of employees and close co-workers, to provide both self-reported and co-worker reported data on cyberloafing behaviour. Previous research has exclusively relied upon employees’ own reports. This is inherently problematic, as Garcia points out:

“We all know that people aren’t really going to tell us the truth if they are rating their own bad behaviour... People want to present themselves in a favourable light. The co-worker assessment provided a more independent source of data.”

A further refinement was to control for employee age and gender, and importantly, hours of work-related internet usage.

The principal finding from the research was that once these variables were considered, the influence of perceived organisational injustice on cyberloafing behaviour was no longer significant. Laramie Tolentino explains:

“Our findings highlighted the importance of self-regulation and that it’s not just a perception of injustice that makes employees indulge in cyberloafing behaviour. It’s the self control of the individuals - the ability to regulate themselves: people with greater powers of self-regulation can distract themselves and suppress their impulses better, focus on their work and not engage in these counterproductive practices.”

So, whilst cyberloafing does provide an avenue for retaliatory behaviour against perceived injustices, the behaviour is moderated by the degree of self-control inherent in the employee. Individuals with low self-control, are not only more susceptible to retaliatory action (in the form of cyberloafing or otherwise) but are more likely to be prone to counterproductive behaviour in general. Self-control is clearly a desirable personality trait for employers to look for:

“If you hire people with high levels of self-control,” says



Professor Simon Restubog, “you know they will focus on their work, stay within the agreed boundaries of behaviour... People with low self-control are likely to engage in counterproductive behaviours – neglect their work responsibilities, come to work late, and fail to meet work deadlines.”

There were some other interesting findings. Contrary to previous research, and perhaps counter-intuitively, older employees were found to engage in more cyberloafing behaviour than younger ones. This may well be explained by the fact that older employees within the university environment have achieved tenure, and therefore greater job security, and that cyberloafing may not be seen as serious grounds for discipline. However, it is also likely that to some degree, older employees would feel that it is legitimate behaviour – that they have a sense of entitlement or a “right” to engage in such behaviour. Clearly, these counter-intuitive findings warrant further empirical attention.

In addition, it was found that employees who need to use the internet for work purposes over longer periods, are

more likely to engage in cyberloafing because the activity can be masked – ie, there is less threat of detection.

Another important point about cyberloafing and self-control is that, particularly for people working with the internet all the time, the temptation is ever present, and yielding to it is easy – you do not have to leave your desk to be a cyberloafer.

Employers therefore have a choice: employ the strong arm tactic of organisational regulation by limiting usage, or employing monitoring software, thereby removing the temptation; or encourage a culture of self-discipline and integrity amongst staff by careful recruitment, good communication and trust – ie, allow staff to regulate their own behaviours. It has been suggested that allowing employees to use the internet at work for personal use could actually be beneficial to productivity – not because it aids the employee in his or her work, but because it recognises that internet usage is just as much a part of people’s personal lives as it is for their professional lives. In other words, allowing reasonable usage for personal purposes demonstrates an organisation’s trust in their

“People with greater powers of self-regulation can distract themselves and suppress their impulses better, focus on their work and not engage in these counterproductive practices.”

employees and may well make them happier and relieve stress. However, there has been limited research in the area:

“When we presented this in conference we received audience feedback that cyberloafing is not that bad. It may actually help employees be more productive,” says Garcia. “Because if you allow employees to engage in cyberloafing it somehow communicates that you trust them, and that you trust that they will do their work. It’s a form of empowerment. But we need to be careful about context – in some cases it could be counterproductive, while for other organisations, it could possibly even increase productivity. Further research would be required to, for example, compare workplaces across a range of industries to ascertain the environments in which it was a counterproductive measure. Generally though, research evidence suggests that cyberloafing is still considered a form of counterproductive behaviour – not just because of the loss of productivity, but because it can expose the company to liabilities: downloading illegal material, malware, hacking, and viruses, for example.”

The team published their results in the paper: *Yielding to (cyber)-temptation: Exploring the buffering role of self-control in the relationship between organizational justice and cyberloafing behavior in the workplace*, which was published in the Journal of Research in Personality, and received the 2011 Australian Industrial and Organisational Psychology Prize for Best Individual Research Paper.

For the three PhD students, while it is not directly related to their own research area, Restubog believes the project has provided invaluable experience that will help them both in the development of their research skills and in establishing careers in academic research.

“The approach I take in my research training is that my PhD students are actively involved in my research projects,” explains Restubog. “It enables them to acquire hands on experience, develop theoretical arguments, broaden the scope of their theories and enhance their methodological skills. They also gain exposure to the overall publishing process - in particular the rigours of addressing reviewers’ comments. In many respects, the doctoral dissertation is actually easier than compiling a series of studies that are publishable in high quality journals.” ■



GRADUATE PROFILE

Rujia Wang

Bachelor of Economics

Graduating Bachelor of Economics student Rujia Wang is both excited and sad to be completing the final year of her undergraduate degree. A clever and high-performing student, who is passionate about every facet of economics, she has no shortage of open doors in her future.

Wang grew up in Canberra, and despite a scholarship offer from another institution she has no regrets about choosing the rigorous economics program offered by the ANU College of Business and Economics. She maintains that any topic can either be “interesting or deadly boring, depending on the lecturer” and that her love for the subject has been fostered by the combination of interactive classes and stimulating lecturers at ANU.

Wang admits that the initial appeal of economics derived from her interest in current affairs and, of course, a desire to earn lots of money. However these preconceptions changed dramatically once she immersed herself in the program, and discovered that the all-too-familiar definition of economics as “the study of scarcity in a world of finite resources and infinite wants”, was far too restrictive for her liking.

Instead, Wang sees economics as a much broader field encompassing “pretty much everything”, and credits the discipline with instilling a strong set of analytical skills which can provide insight into almost every encounter. She reflects, for instance:

“Now I know why ‘find any lower price and we’ll beat it’ clauses may actually be anti-competitive and why I always end up bidding more for an eBay item than I had originally intended”.

An average day for Wang would seem overwhelmingly busy to most, but she consistently strives to strike a balance between study and social life. Throughout her degree, Wang has excelled academically in a challenging program; worked part-time for the ACT Treasury; and interned at the Department of Finance and Deregulation; all the time embracing life on campus: as a Student Ambassador for the College and an active member of



university clubs and societies, which range from her career-enhancing role as an officer for the ANU Finance and Banking Society (FINSOC) to her personal interest in the Chocolate Appreciation Society!

Of all these activities, Wang has most relished her involvement in the study abroad program, through which she completed a semester at the University of Hong Kong. Outside her comfort zone and surprised by the cultural differences she observed, Wang used the opportunity to develop greater independence, broaden her horizons and make new and lasting friendships with some outstanding individuals from all over the globe.

Through her intercontinental studies, Wang enhanced her appreciation for the applied learning styles embraced in Australian education institutions. She describes her time travelling and studying while on exchange as interesting, challenging, rewarding and rich in personal development. It is an experience that she wholeheartedly advocates for all students.

With her graduation approaching, Rujia Wang was in high demand. Having received offers from local and federal government departments as well as the private sector, Wang has secured a prestigious position at global accountancy giant, PricewaterhouseCoopers utilising her expertise in their economics advisory in Sydney. She is keen to enhance her career with on-the-job experience but will also keep an eye out for interesting research topics with the goal of pursuing postgraduate studies in the future. AMY TAYLOR

The economics of hindsight

February 2012 saw the launch of the new Centre for Economic History at ANU. Margin talks to inaugural director Professor Tim Hatton about how economic history is not just about comprehending the past, but about informing the present.

BY STEPHEN GREEN

Economic history was once a prominent discipline at ANU. Having two economic history departments made it unique - and a world leader in the subject. But in recent decades its star has waned as student numbers have declined and as other subjects have gained ground in the curriculum. But a revival is underway. February saw the launch of a new Centre for Economic History, based in the Research School of Economics.

So what is economic history and why does it matter? Economic history matters because we cannot fully appreciate and understand the economy and society that we see around us without knowing something about how we got here. But without an organizing framework, as one historian put it, "history is just one damn thing after another". Economic history provides the prism through which we see our economic past. Interpreting, and often reinterpreting the past is important for keeping alive the historical knowledge base. These interpretations evolve as new data and evidence accumulates and as new economic frameworks and methods of analysis are applied.

The new Centre embraces a number of key themes. One of these focuses on the evolution of the Australian economy: not only how events unfolded and economic institutions evolved but also the interplay between economic trends and the development of economic policy. Understanding how economists and policy-makers saw the economy of their day and how they interpreted it is a key to understanding how policy was framed. Another theme is the development of the corporate economy, the rise of big business and the development of financial institutions. And a third is the growth of population and the labour force. The growth of human capital has become a key theme in economics and yet how it contributed to economic growth in the past is not well understood.

Like many other disciplines economic history has its own story of globalisation. There is a growing appreciation of how different parts of the global economy have integrated, disintegrated and reintegrated. And comparing the development of different nations, the conditions that they faced and the ways in which they evolved provides

important insights into how individual societies have developed over the long haul. But it is not just a topic for historians. Economists have shown how living standards today are influenced by 'deep determinants' from a long forgotten past that have shaped the political and social institutions that determine economic growth right up to the present.

Much is lost in making simple correlations between today's economy and the distant past. Professor Tim Hatton, one of the ANU economists behind the new Centre for Economic History at ANU, and its inaugural Director, says there is much work to do:

"I think one of the big roles for economic history is to fill in the bit which isn't really talked about, which is what happened between then and now. The whole point of economic history is to elaborate and understand the course of events that got us from there to here. Obviously most economic historians only concentrate on one or a few aspects of it but if you take it as a whole then the parts add up to a deeper understanding of the how and the why."



Dr Martin Parkinson, Secretary to The Treasury, speaking at the launch of The Centre for Economic History at ANU in February 2012

Economic history may help us understand the past, but is it useful for the present? The value of economic history in informing current policy debate is gaining ground amongst leading professional economists:

“There is a willingness to learn from the past,” says Hatton. “The classic example is the Great Depression when monetary mistakes and failure to use fiscal stimulus led many to the conclusion that policy didn’t help and may have made things worse. During the GFC these things were brought to bear.”

However, he is quick to point out the pitfalls of over-emphasising parallels with the past:

“One of the jobs of the economic historian is to warn people against making simple isomorphisms with the past which aren’t really warranted. It’s very easy to say, if this is what happened then, we can just translate that directly into the present. I think one of the roles of the economic historian is to explain not only what is the same, but what is different as well.”

Speaking at the launch of the new Centre, Dr Martin Parkinson, Secretary to the Treasury, confirmed this point from his personal experience:

“It was meeting [President of the Federal Reserve] Ben Bernanke that really reinforced to me that it was the

economics of economic history that provided a rich store of natural experiments and in which applied economists need to spend more time toiling.”

Bernanke, indeed, is one of the most prominent examples of a high profile economist whose study of economic history (in his case, the Great Depression) has significantly informed his present day thinking, particularly in handling the fall out from the Global Financial Crisis.

Parkinson went on to cite Australia’s successful navigation of the Global Financial Crisis as perfect illustration of this in action:

“While events are never identical, if we’re not aware of the past we may find ourselves forced to learn its lessons, often painfully. And I think the GFC and the way in which Australia responded across a full suite of policies — monetary policy, fiscal policy, regulatory interventions, really stands as a classic example of what you can do if you really understand some of the lessons of things that have gone before.”

Despite its acknowledged value and significance, the profile of economic history as an academic discipline has declined in Australia. As Professor Hatton jokingly puts it:

“As a discipline, economic history has been through its own booms and slumps. Perhaps the best way to

“
...if we never look backwards we
risk either reinventing the wheel
or, perhaps worse, being blind-
sided by the things the public has a
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economists should recognise.
— Dr Martin Parkinson”

characterise it is a severe recession followed by slow growth.”

A relatively small fraternity has maintained the field’s vigour in recent years, through organisations such as The Economic and Business History Society of Australia and New Zealand, and by opening up the discipline to wider regional perspectives — particularly across Asia.

The new Centre for Economic History will create a focal point for activity in the discipline, both in research and education in Australia, and will help to strengthen existing networks and create new collaborative opportunities. Professor Tim Hatton again:

“We want to create a network which will host events, bring together people, bring in visitors and create synergies that we hope will generate, and rejuvenate interest in Australian economic history as well as reaching out to the rest of the world.”

He goes on to suggest that opening up links to the wider global community will help to diversify the treatment of Australian economic history:

“Some people would argue that looking at Australian economic history in isolation, the way it used to be done, as a country study, is perhaps not the way to do it now. Maybe a comparative study would be more the way to be thinking about it in this globalised world.”

Indeed the development of comparative economic history over the last 20 years, largely thanks to the availability of much more data, is a prime example of how different approaches to history can yield contrasting conclusions. Looked at in isolation, Australia’s economy could be seen to have declined alarmingly since the dizzy heights of 1870 when it was the richest country in the world. On this basis Australia is an underperformer on the world stage, and this should be a major cause for concern. But comparative economic analysis doesn’t mean like-for-like comparison, for obvious reasons. Every country functions in the world economy differently. One of the most frequently cited factors affecting Australia’s economic success on the world stage is geographic remoteness — or ‘The Tyranny of Distance’, in Geoffrey Blainey’s familiar phrase. If you plot income per capita as a function of geographic distance from the main economic hub in the world — the North Atlantic economy — there is an overall negative correspondence between remoteness and national wealth.

“We want to create a network which will host events, bring together people, bring in visitors and create synergies that we hope will generate and rejuvenate interest in Australian economic history as well as reaching out to the rest of the world.”
— Professor Tim Hatton

Australia massively bucks this trend, and that paints a quite different picture of its economic story:

“The thing about Australia is that it overcame the tyranny of distance,” says Hatton, “it doesn’t suffer the tyranny of distance, because these impediments or barriers have been overcome.”

In other words, Australia should be defined not by a handicap, but rather by its success in having overcome it. And that is a story of a journey, not just the here and now.

As long as economics continues to develop, it will provide new approaches to the analysis of economic history, which can in turn furnish us with fresh insights into current economic phenomena. However, the temptation to suppose that the past can teach us nothing new is still a strong one, particularly amid the distractions of the modern world. Martin Parkinson encapsulated the point in his speech:

“In today’s instantaneous media which relies on sound bytes, all the incentives are for us to focus on the short term, to ‘dumb down’ the events around us.

“But while tempting, it’s almost impossible to draw sensible conclusions from short-term isolated events, and even more so if economists trying to do so have received an education bereft of any appreciation of what’s gone before.

“It’s important to be able to place current events in a context - to understand how the path we’ve followed has defined where we are today.

“It’s important to be able to draw sensible parallels and lessons from the past, but it’s equally important to know enough to stop mindless attempts to reinterpret today as simply a repeat of the past. In other words not all of the past is relevant for today, but if we never look backwards we risk either reinventing the wheel or, perhaps worse, being blind-sided by the things the public has a right to expect we as professional economists should recognise.”

With all this in mind, the new Centre for Economic History at ANU is a timely boost to the discipline, helping to strengthen its voice in the policy debate in Australia, and to maintain its important presence within the education and research agenda of our universities. ■

GRADUATE PROFILE

Yeong Heng Pua

Bachelor of Actuarial Studies/Bachelor of Science
First Class Honours in Statistics
University Medal winner 2011



Honours Graduate Yeong Heng Pua with Professor Michael Martin.

Originally from Singapore, Yeong Heng Pua relocated to Canberra to study a combined Actuarial Studies and Science degree at ANU having been awarded the prestigious ANU Singapore Alumni Undergraduate Scholarship. He developed an interest in statistics during his undergraduate years and applied for a summer research course. While investigating potential topics for summer research, Pua chanced upon extreme value theory and found it intriguing.

Continuing his exploration of the subject, Pua took an Honours year in statistics. Extreme value theory deals with the probabilistic behaviour of extremely large or small values in random processes - and he focused his attention on a class of statistical models which were based on this.

Pua’s thesis, *Extreme value modelling of temporal characteristics of heat waves* was supervised by Professor Michael Martin (from the Research School of Finance, Actuarial Studies and Applied Statistics) and Professor

Alan Welsh (from the Mathematical Sciences Institute at ANU). By conducting a simulation study, he examined the application of statistical models to daily temperature time series.

Most literature on time series reports long-range dependence, which violates certain assumptions of the extreme value models. Pua researched the extent to which this long-range dependence affects the validity of the inferences drawn from applying the extreme value models to the temperature time series.

His exceptional research thesis saw Yeong Heng Pua graduating with First Class Honours in Statistics and the recipient of a University Medal. Pua is returning to his home country Singapore to seek job opportunities in the actuarial profession. He is also entertaining the possibility of pursuing graduate research in statistics in the near future.

GRADUATE STUDIES

Information Evening



Discover our wide range of graduate coursework & research programs.

Tuesday 22 May 4–7pm

University House, Balmain Crescent, ANU

Register your interest at anu.edu.au/futureevents

Learning on the job

The value of hands-on commercial experience to support learning has never been in doubt, but it is not necessarily easy to incorporate within the structure of a degree program. An innovative new scheme at ANU, however, has done just that by collaborating with local companies to provide students with real-life business challenges. And the benefits go both ways.

BY STEPHEN GREEN

A new collaborative initiative at the ANU College of Business and Economics is providing students with the invaluable opportunity to test their learning in the real world, working on international business development plans for Canberra-based companies.

The scheme, initiated in 2011, forms part of the coursework for the undergraduate course, International Marketing, and the postgraduate course, Global Marketing, both convened by lecturer Dr Vinh Lu. Dr Lu sought volunteers from local business through the ACT Exporters' Network to participate in the initiative, serving as real clients for teams of students. Six ACT companies duly obliged, and provided a short summary of their business, detailing what products or services they offer and which areas of the global market they are interested in exploring. Student teams were then randomly allocated to work with one client.

The project is structured as a competition, with the four or five student teams allocated to each client competing to provide the best international business plan. Students have the chance to meet their clients early on in the process for a half-hour question and answer session, but thereafter any questions they have are collated and relayed

to the client by Dr Lu. Working from a project brief and the information provided by their client, students must assemble a comprehensive international business plan, in which they identify a key target market and outline a strategy for entering it.

Teams are tasked to complete elements of their projects each week, providing regular tight deadlines which effectively mimic the pressures of real world consultancy, just as the presence of other student groups parallels real business competition. At the same time, the fact that the projects are focused on the clients' genuine business opportunities is a powerful motivation. As Dr Lu explains:

"If you let [students] choose any company, they usually go for big ones without giving much thought to the development of their research. But this is real, and they can see the potential effect of their recommendations. They have to put a lot of thinking into it and a lot of research, and they learn to improve their communication, research, and teamwork skills. Interestingly, several students reported that it had helped reinforce their passion for the discipline and the profession."

In addition to their business plans, teams must also develop appropriate marketing materials for their clients:

a sales brochure or magazine advertisement. To judge this component of the competition, Dr Lu engaged a group of his former students, all now marketing professionals at a wide range of companies, including Saatchi and Saatchi, Channel 7, Ogilvy & Mather, Roy Morgan Research, and Singapore Airlines. The final stage in the process sees each team making a presentation of their recommendations to their clients. The final plans are then judged both against academic criteria, and their suitability for the particular client. The winning teams each receive a certificate, with the runner's up who achieved a distinction standard also gaining recognition. It is testament to the high overall standard that 13 teams were recognised and that is reflected in the positive assessment of all the clients.

As well as the students' presentations, clients receive copies of the reports and the print materials. While it is acknowledged that they shouldn't expect the same from students as from paid consultants, many of the plans are potentially implementable and could provide useful direction. At the very least, companies receive some free market research, something often difficult for small businesses to find the time, or resources to carry out.



Dr Vinh Lu

Speaking at the presentation reception where the successful teams received their certificates, company representatives were warm in their praise for the quality of the students' work, and the benefits they had gained from the process.

Dr Dion Klein, CEO of The Wise Academy, was particularly impressed by how the winning team's recommendations had closely matched the results of similar research the company had carried out:

“It showed that they had done really good research and they were pretty much spot on with the opportunities for our company in South East Asia – and they took it a stage further by really defining the target market in Singapore – we hadn’t got that far.”

Adam Castle is Director of The Kanga Cup, the biggest international youth soccer tournament in the southern hemisphere, held annually in Canberra.

“It’s been a wonderful process for us, fantastic to get a new point of view and we’ve got some great new concepts,” he says. “Working closely with a project, you tend to have the blinkers on a bit, so this is a welcome fresh perspective – getting creative ideas from students just learning their trade...We’ve had bits and pieces of market research done over the years, but this is the first time we’ve had solid market research done into different countries and it’s been really helpful. It’s been great – it’s reinvigorated [the students’] passion, but it’s also reinvigorated ours.”

Students have also been universally positive about the experience. Undergraduate student, Nicholas Babic whose team developed a plan for their client, Best Exhaust, to expand into the Chinese market, in particular highlights the value of experiencing the pressure of working for a real client:

“Usually with student projects it doesn’t matter what you say as long as it uses the theory: at the end of the day nobody is going to rely on it. What we found with this project was that there was added pressure to really think about what we were writing because someone may actually benefit from our recommendations. We knew that they needed to make sense and be on the mark. It was definitely more pressure, but it made it the best project we’ve done. I’d be recommending this course to other students – it really encourages you to achieve... it makes you think: ‘I can actually go out there and achieve some amazing things’. It’s invaluable.”

The success of this scheme’s inaugural year has underlined the value of incorporating interactive education methods into courses at both undergraduate and graduate coursework level. It allows students both to contextualise their learning and test their theoretical knowledge in the real world. At the same time, the participating companies can gain real insights from the students work. The scheme is set to continue in 2012, and will help to strengthen the links between the College and the local community. ■

Examples of marketing materials that 2011 students developed as part of the program.



GRADUATE PROFILE

Nicholas Preston

Bachelor of Actuarial Studies/Bachelor of Science
First Class Honours in Finance
University Medal winner 2011

Having always enjoyed mathematics at school, Nicholas Preston chose to pursue this interest through a combined Actuarial Studies and Science degree at ANU. After four years of a combined degree, he opted for a further year of Honours in Finance, for which he secured the ANU College of Business and Economics Honours Scholarship.

Noting that retiree finances were becoming an important issue in Australia he decided to immerse himself in the subject by making it the topic of his honours thesis. Entitled, *Keeping up with the Joneses: The impact of reference groups on the subjective financial well-being of Australian Retirees*, his thesis made use of a unique data set available through the Research School of Finance, Actuarial Studies and Applied Statistics. Supervised by Dr Tim Higgins and Professor Doug Foster, Preston was able to explore some issues previously unconsidered in an Australian context.

His research looked at retirees’ perceptions of their own financial circumstances, and in particular, how these were affected by the ‘reference groups’ used for social comparisons. He found that retirees in Australia compared themselves to groups of other people belonging to similar demographics. Retirees became dissatisfied with their own situation if their ‘reference group’ was particularly wealthy and enjoyed a high standard of living. Preston’s research also showed that retirees who had previously enjoyed a higher standard of living, tended to be less satisfied with a given level of wealth than those whose standard of living had remained constant.

Nicholas Preston graduated in December 2011 with First Class Honours in Finance. He is also a recipient of a coveted University Medal in recognition of the exceptional standard of his academic performance. He has secured a graduate position at Sydney based management consulting company, Port Jackson Partners, where he will begin work after a few months travelling.



Bridging the gender gap in the boardroom

Recent moves by the ASX signal the growing consensus that the diversity of a workforce should be reflected at boardroom level. Arguments in favour are manifold, but what of the economic benefits? A new research project at ANU seeks to clarify the links between boardroom diversity and the financial performance of Australia's top companies. BY STEPHEN GREEN

In Australia, 45 per cent of the workforce is female. As of March 2011, the proportion of female directors of the boards of the ASX 200 was just 10.9 per cent.¹ Of those 200, only 2.5 per cent have a female Chair and only 3 per cent have a female CEO.² 45 per cent of those companies have no women on their boards at all.

Differentials like this are seen across the developed world. Boards of directors are typically homogeneous – largely undifferentiated by gender, race or even age. On the basis that like tends to appoint like, change is slow, in spite of the broad consensus that the make-up of the workplace should better reflect the diversity of the population as a whole, at all levels. Proponents, logically enough, point out that true meritocracy in appointments at board and senior executive level should surely be reflected in a higher percentage of female appointments and by extension, that many companies cannot currently be taking advantage of the full talent pool. If that is the case, the appropriate question would be, can this, and does this impair a company's performance? Or conversely, do companies with diverse boards perform better?

Regulatory bodies around the world are beginning to take action to encourage greater diversity at boardroom level, in particular with respect to the proportion of women directors. Measures vary in force, however. In Norway, for example, a country generally noted for its enlightened attitude towards gender issues, it has nevertheless been felt necessary to introduce quotas for the representation of women at board level. Consequently, the representation of women on Norwegian boards is the highest in Europe – around 25 per cent. Elsewhere less stringent measures are being employed. In Australia, the first steps towards tackling the issue have emerged in the ASX Corporate Governance Principles and Recommendations announced in June 2010. As of 2011, companies should establish and disclose a policy on diversity, at senior executive and boardroom level.

Significantly, the recommendations put considerable stress on the link between diversity and business performance. They refer to the "corporate benefits arising from employee and board diversity and the importance of benefiting from

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Do companies do better because they have women on their boards, or do companies that do better tend to appoint women onto their boards? Which way does the causality go?
”

all available talent” and the need to achieve “appropriate diversity to maximise the achievement of corporate goals”.³ In treating gender diversity specifically their message is even more explicit:

“Diversity is an economic driver of competitiveness for companies. Research has shown that increased gender diversity on boards is associated with better financial performance, and that improved workforce participation at all levels positively impacts on the economy. The promotion of gender diversity broadens the pool for recruitment of high quality employees, enhances employee retention, encourages greater innovation, and improves corporate image and reputation.”

As persuasive as this statement appears, and notwithstanding the (industry) research quoted, there is no real consensus on the nexus between boardroom gender diversity and financial performance. Academic literature to date has tended to take a firm-level approach making generic conclusions problematic. However, a new research project at ANU is aiming to broaden the picture.

“The existing Australian literature has taken a firm-level approach,” explains Dr Jacquelyn Humphrey. “It looks at individual companies and asks: has gender diversity made a difference to performance? We are taking a very different approach – examining the question at market level. We are forming portfolios – groups of companies that have women on their boards, those that don’t, and examining how they perform as groups.”

Dr Humphrey, and fellow finance academic Dr David Tan have teamed up with Associate Professor Larelle Chapple from the Research School of Accounting and Business Information Systems at ANU, whose research focus includes corporate governance. The project has received funding from the Accounting and Finance Association of Australia and New Zealand (AFAANZ), as part of a scheme supporting the mentoring of developing researchers (in this case Dr Tan).

The project will examine seven years of data on the companies that make up the ASX 300. Its primary aim is to establish whether or not an association between female presence on boards and financial performance can be substantiated at an aggregate level. In other words, what are the effects of a gender diversity policy on the market as a whole? What does the capital market stand to gain,

indeed, from an increase in gender diversity on corporate boards?

A subsidiary question for the researchers will be: are the characteristics of firms with female directors different from firms without? Certain industries may have a greater likelihood to have women on their boards than others, because of industry culture or expertise. Such trends potentially complicate the overall picture, so the analysis will be controlled for industry factors. There are other statistical challenges too, says Humphrey:

“There are a lot of questions to keep in mind. For example, do companies do better because they have women on their boards, or do companies that do better tend to appoint women onto their boards? Which way does the causality go? They may think, if we have more resources, we can include the token female director. If a woman joins the board, but at the same time company profit figures are announced and then the share price increases – is it because a woman appointment has been announced or because profits have been announced? These are really fundamental questions to think about when setting up a research project. The industry research quoted by the ASX didn’t consider those.”

The project will make use of two theories to examine and explain the data: agency theory and legitimacy theory. The former takes an economic view to explain contracting decisions made to align the interests of principals (in this context, the company’s owners, or shareholders) and its agents (in this case, the directors appointed to oversee management). Agency theory suggests that corporate governance mechanisms (such as board appointment policy) are useful in managing the propensity of its agents to act in self-interest (by implication not necessarily in the interests of the shareholders). It has become received wisdom that where firms have a large, dispersed ownership, it is desirable that boards should have a majority of independent directors on the board. A policy of gender diversity in the boardroom potentially operates in a similar vein. However, it is not yet clear, say the researchers, how, or how much, it contributes to a profile of independence or competence on those boards.

The alternative angle, legitimacy theory, focuses on predominantly non-economic considerations. Thus, contracting decisions may be justified according to social norms, standards and expectations, (what is broadly

termed corporate social responsibility) and reputational concerns, amongst other things. Gender equality is one such factor which corporations can respond to in a particularly salient manner by female appointments to senior executive and board positions.

Whilst social legitimacy may be the true originating factor behind this initial move towards regulation on diversity in Australia, economic arguments could certainly have greater persuasive force amongst the hardheads of the corporate elite. This might explain the stress laid on these factors by the ASX. It may be that social legitimacy concerns exert a more purposeful influence amongst bigger companies, or in certain industry sectors, but if the recommendations are going to encourage substantial change across the whole market, economic considerations could have greater short-term leverage. Timescales are indeed short. The Discrimination Commissioner has indicated that if the new recommendations do not produce tangible results, mandatory quotas may be instigated in 2015.

There are indications that there is some momentum building. The proportion of women in new appointments to the boards of ASX 200 companies rose to 24 per cent in 2010, having been at only 5 per cent in 2009 and 8 per cent in 2008. Much of this coincides with the first announcement of the amendments to the ASX Principles and recommendations in December 2009. Whether the trend continues to the extent the regulators desire, time will tell. Regulatory pressure, and reputational concerns will undoubtedly exert an influence to a degree, but if a positive relationship between boardroom diversity and financial performance can be shown, sustaining the momentum of change may be easier to achieve over the long run and obviate, or at least delay, any move to mandatory quotas.

The research couldn’t be more timely. Whether or not it shows that women directors do add tangible value to the capital market, its outcomes will certainly contribute to the regulatory debate in the coming years. ■

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Highlights from the past

The ANU College of Business and Economics boasts a rich legacy of graduates going on to reach to the top of their professions and achieve great distinction in public life both in Australia and overseas. College historian PETER YULE provides a brief snapshot of the history of the College's distinguished alumni.

Today's ANU College of Business and Economics has evolved from several earlier institutions, faculties and departments. The first of these was the Canberra University College (CUC), which was established in 1929 primarily to enable public servants to study part-time for university degrees. By the time the College merged with the ANU in 1960, its graduates could be found at all levels of the public service. One of the most notable was Sir Geoffrey Yeend, who completed his Bachelor of Commerce in 1953 and rose to be head of the Prime Minister's Department in the late 1970s. As for most other CUC graduates, Yeend's degree was a long, slow struggle, taking one or two subjects a year while working full-time.

While the Canberra University College catered primarily for public servants studying part-time, The Australian National University had a totally different orientation. Founded in 1946 as a research university, until 1960 the ANU had only postgraduate students and awarded only one degree, the PhD. The Department of Economics, established in 1950 under the leadership of the legendary Trevor Swan, never had more than a handful of students, but among them were some of Australia's most distinguished economists. One of the first students was John Pitchford, who came to ANU from Tasmania on a scholarship in 1953. This was a golden era for economics at the ANU and Pitchford still vividly recalls some memorable seminars attended by eminent economists from around the world. Probably the most famous of these was a 1956 seminar on theories of economic growth, when Trevor Swan presented a new model of growth, for which he was probably unlucky not to win the Nobel Prize.

On completing his PhD, Pitchford taught at the University of New South Wales for two years before spending a year at Oxford and Yale on a Rockefeller scholarship. He then taught at Melbourne before returning to ANU in 1961. Promoted to Professor in 1964, Pitchford played a key role in building the Department of Economics into the leading economics department in Australia. His son, Rohan Pitchford, is also an ANU graduate and is now a Professor in the Research School of Economics.

Until 1970, all postgraduate courses in what was then known as the Faculty of Economics were research only. In that year the faculty introduced Australia's first Master of Economics by coursework. This new course proved incredibly successful and by 1971 entry had become very competitive and not all qualified students could be accepted. The course has always been known for its rigorous teaching and high standards and it attracted top students, both from the public service and from universities around Australia. Among the leading public servants with an ANU Master of Economics have been Rod Sims, Mike Keating, Geoff Carmody and David Chessell, while many other graduates have gone on to distinguished academic careers including Trevor Breusch, Howard Dick, Ian Harper and Robert Albon. Others have been highly successful in the private sector, notably Chris Richardson and many members of the prominent consulting firm, Access Economics.

The introduction of the Master of Economics coincided with the beginnings of a golden era for econometrics at ANU. At the time (and until 2001) econometrics was located in the

Department of Statistics and the majority of the staff were ANU Master of Economics or PhD graduates, including Deane Terrell, the first Professor of Econometrics, Tony Hall, Trevor Breusch and Adrian Pagan. One former student recalls that "it was a remarkable period of activity and an exciting time in econometrics", with many distinguished visitors coming to the department and students being challenged and stimulated by many of the leading figures in world econometrics, including future Nobel Prize-winner Clive Granger, who came in 1977 and 1986.

One student whose story was out of the ordinary was Anil Bera, now Professor of Econometrics at the University of Illinois. Born in 1955 in a small village in West Bengal, his education began in a two-roomed school with two teachers and 150 students, and he recalls studying every evening with his brothers and sisters all crowded around a kerosene lamp. At his high school there was fierce competition for the very few places available for further study. Securing a university place, Bera enrolled for a degree in statistics, physics and mathematics. He copied his first econometrics book out by hand because there was no photocopier. At the Indian Statistical Institute he met visiting ANU lecturer Pravin Trivedi:

"[He] gave me some information about the graduate program in econometrics at the Australian National University and encouraged me to apply. I was offered a very generous PhD scholarship in 1979. At ANU I spent three and half wonderful years. Although it was a foreign country, I felt very comfortable. The scholarship was \$400 per month. I led a very 'rich' life, though without spending

much. I stayed in an undergraduate dorm (Toad Hall) where weekly rent was \$20, and was able to send almost half of my scholarship every month to my parents for my younger brothers' education. The department had superb facilities and an exciting academic environment. Professor Ray Byron was my formal thesis supervisor, but unlike in India, I was free to talk to other econometricians, Professors Adrian Pagan, Deane Terrell and Pravin Trivedi. There were eight PhD students doing their dissertations in econometrics alone."¹

While in the Department of Statistics, Bera worked closely with fellow PhD student Carlos Jarque to develop what has become famous as the Bera-Jarque test, with the pair publishing several papers in leading journals before they completed their PhDs.² Bera completed his thesis in 1982 and, after a brief spell in Belgium, has gone on to a distinguished career at Illinois, though he has been a frequent visitor to the ANU.

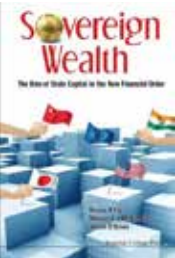
These are just a few stories of alumni of the ANU College of Business and Economics and its predecessors. The College has thousands of alumni in Australia and around the world, who have used their training to build successful careers in all walks of life. ■

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RECENT PUBLICATIONS



Renee A Fry, Warwick J McKibbin, Justin O'Brien (eds)
Sovereign Wealth
Imperial College Press, 2011

As the first major collection of papers on sovereign wealth funds and state-owned enterprises, this book provides an essential guide to the geo-political impact of these pools of capital on global markets. The rise of sovereign wealth funds and state-owned enterprises represents a fundamental shift in market dynamics. The potential fusion of political and commercial imperatives raises unresolved geo-political questions that have been sharpened by the vaporisation of credit markets as a consequence of the global financial crisis. State-controlled pools of capital have now eclipsed hedge funds and private equity in terms of funds under management, and the question of their regulation is therefore now of utmost importance.

This book highlights the interplay between legal, corporate and policy imperatives associated with the regulation of state capital. Including contributions from leading practitioners, policymakers and academics, it provides an essential guide to professionals and academics in the fields of finance and business.

Carol Kulik, Gerry Treuren,
Prashant Bordia
Shocks and final straws: Using exit-interview data to examine the unfolding model's decision paths
Human Resource Management (Vol 51, Issue 1)

The unfolding model emphasises the role of shocks (jarring events that initiate exit cognitions) in the turnover process. In contrast to earlier survey-based research, we used exit interviews to classify organisational leavers along the model's paths. The data provide support for the model but highlight several aspects of shocks not addressed by previous research. Employees on the same path may experience distinctly different shock subgroups (e.g., work or nonwork), some employees require shock combinations (e.g., push and pull shocks) to motivate leaving, and some

dissatisfied employees experience shock-like events (final straws) that confirm previous exit cognitions rather than initiate them. The research demonstrates how organisations can use exit interviews to better understand their employee exit patterns.

Li-Yun Sun, Zhen Zhang, Jin Qi,
George Chen
Empowerment and creativity: A cross-level investigation
The Leadership Quarterly (Vol 23, Issue 1)
Drawing upon social learning and self-determination theories, we hypothesised and tested a chain mediating process linking empowerment to employee creativity. Based on data from 385 employees working with 104 supervisors in multiple organisations in China, we conducted cross-level

path analyses and found that (1) structural empowerment partially mediated the relationship between transformational leadership and psychological empowerment, (2) psychological empowerment fully mediated the relationship between structural empowerment and creativity, and (3) structural and psychological empowerment sequentially mediates the relationship between transformational leadership and creativity. This study integrated different perspectives of empowerment and provides important insights into the mechanisms linking empowerment with creativity.

Lin Cui and Fuming Jiang
State Ownership Effect on Firm's FDI Ownership Decisions under Institutional Pressure: A Study of Chinese Outward Investing Firms
Journal of International Business Studies (Accepted MS)

This study investigates the effect of state ownership on firms' foreign direct investment (FDI) ownership decisions. It adopts a political perspective to extend the application of institutional theory in international business research. We argue that state ownership creates the political affiliation of a firm with its home country government, which increases the firm's resource-dependence on home country institutions, while at the same time, influences its image as perceived by host country institutional constituents. Such resource-dependence and political perception increase firms' tendency to conform to, rather than resist, isomorphic institutional pressures. Empirical support was found from a study of Chinese outward FDI during 2000-2006.

Myoung-jae Lee
Treatment effects in sample selection models and their nonparametric estimation
Journal of Econometrics (Vol 167, Issue 2)

In a sample-selection model with the 'selection' variable Q and the 'outcome' variable Y^* , Y^* is observed only when $Q=1$. For a treatment D affecting both Q and Y^* , three effects are of interest: 'participation' (i.e., the selection) effect of D on Q , 'visible performance' (i.e., the observed outcome) effect of D on $Y \equiv QY^*$, and 'invisible performance' (i.e., the latent outcome) effect of D on Y^* . This paper shows the conditions under which the three effects are identified, respectively, by the three corresponding mean differences of Q , Y , and $Y|Q=1$ (i.e., $Y^*|Q=1$) across the control ($D=0$) and treatment ($D=1$) groups. Our nonparametric estimators for those effects adopt a two-sample framework and have several advantages over the usual matching methods. First, there is no need to select the number of matched observations. Second, the asymptotic distribution is easily obtained. Third, over-sampling the control/treatment group is allowed. Fourth, there is a built-in mechanism that takes into account the 'non-overlapping support problem', which the usual matching deals with by choosing a 'caliper'. Fifth, a sensitivity analysis to gauge the presence of unobserved confounders is available. A simulation study is conducted to compare the proposed methods with matching methods, and a real data illustration is provided.

Pao-Li Chang and **Myoung-jae Lee**
The WTO Trade Effect
Journal of International Economics (Vol 85, Issue 1)

This paper re-examines the GATT/WTO membership effect on bilateral trade flows, using nonparametric methods including pair-matching, permutation tests, and a Rosenbaum (2002) sensitivity analysis. Together,

these methods provide an estimation framework that is robust to misspecification bias, allows general forms of heterogeneous membership effects, and addresses potential hidden selection bias. This is in contrast to most conventional parametric studies on this issue. Our results suggest large GATT/WTO trade-promoting effects that are robust to various restricted matching criteria, alternative GATT/WTO indicators, non-random incidence of positive trade flows, inclusion of multilateral resistance terms, and different matching methodologies.

Han Hong, **Bruce Preston**
Bayesian Averaging, Prediction and Nonnested Model Selection (Vol 167, Issue 2)
Journal of Econometrics

This paper studies the asymptotic relationship between Bayesian model averaging and post-selection frequentist predictors in both nested and nonnested models. We derive conditions under which their difference is of a smaller order of magnitude than the inverse of the square root of the sample size in large samples. This result depends crucially on the relation between posterior odds and frequentist model selection criteria. Weak conditions are given under which consistent model selection is feasible, regardless of whether models are nested or nonnested and regardless of whether models are correctly specified or not, in the sense that they select the best model with the least number of parameters with probability converging to 1. Under these conditions, Bayesian posterior odds and BICs are consistent for selecting among nested models, but are not consistent for selecting among nonnested models.

Stephano Eusepi, **Bruce Preston**
Expectations, Learning and Business Cycle Fluctuations
The American Economic Review (Vol 101, Issue 6)

This paper develops a theory of the expectations-driven business cycles

based on learning. Agents have incomplete knowledge about how market prices are determined and shifts in expectations of future prices affect dynamics. Learning breaks the tight link between fundamentals and equilibrium prices, including periods of erroneous optimism or pessimism about future returns to capital and wages which are partially validated by subsequent data. In a real business cycle model, the theoretical framework amplifies and propagates technology shocks. Moreover, it produces agent forecast errors that are consistent with business cycle properties of forecast errors for a wide range of variables from the Survey of Professional Forecasters.

Ida Wolden Bache, Anne Jore, James Mitchell and Shaun Vahey
Combining VAR and DSGE Forecast Densities
Journal of Economic Dynamics and Control (Vol 35, Issue 10)

A popular macroeconomic forecasting strategy utilises many models to hedge against instabilities of unknown timing; see (among others) Stock and Watson (2004), Clark and McCracken (2010), and Jore et al. (2010). Existing studies of this forecasting strategy exclude dynamic stochastic general equilibrium (DSGE) models, despite the widespread use of these models by monetary policymakers. In this paper, we use the linear opinion pool to combine inflation forecast densities from many vector autoregressions (VARs) and a policymaking DSGE model. The DSGE receives a substantial weight in the pool (at short horizons) provided the VAR components exclude structural breaks. In this case, the inflation forecast densities exhibit calibration failure. Allowing for structural breaks in the VARs reduces the weight on the DSGE considerably, but produces well-calibrated forecast densities for inflation.



KARL WIEBKE PAINTING 1994–2012

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Image Karl Wiebke, *Sticks*, 2011-2012 (detail), acrylic on wood, dimensions variable, height approx. 220 cm. Courtesy the artist and Liverpool Street Gallery, Sydney.
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