

# KNOWLEDGE BASE

## RESEARCH BRIEFS

### Workplace 'bad apples' spoil barrels of good employees

Look around any organization and chances are you'll be able to find at least one person whose negative behavior affects the rest of the group to varying degrees. These "bad apples" can be like a virus to their teams, and upset or spoil the whole apple cart.

This from a study by doctoral student **William Felps** and **Terence Mitchell**, the Edward E. Carlson Distinguished Professor in Business Administration, that examines how, when and why the behaviors of one negative member can have powerful and often detrimental influence on teams and groups.

Inspired by tales of the negative effect of a "bad apple" on the workplace of Felps' wife, the researchers

analyzed two dozen published studies that focused on how teams and groups of employees interact.

They found that a single "toxic" or negative team member—one who doesn't do his fair share of work, is chronically unhappy and emotionally unstable, or who bullies or attacks others—can destroy a good team and be the catalyst for an organization's downward spiral.

In one study of about 50 manufacturing teams, for instance, teams that had a member who was disagreeable or irresponsible were much more likely to have conflict, have poor communication within the team and refuse to cooperate with one another. Consequently, the teams performed poorly.

In a follow-up survey of employees working in small groups that required a high degree of interaction,

Felps and Mitchell found the vast majority could identify at least one "bad apple" that had produced organizational dysfunction.

"Most organizations do not have very effective ways to handle the problem," says Mitchell. "This is especially true when the problem

employee has longevity, experience or power. Companies need to move quickly to deal with such problems because the negativity of just one individual is pervasive and destructive and can spread quickly."

The widely cited study was published in the journal *Research in Organizational Behavior*.

### Virtual experiences can cause embellished, false memories

In the market for a new camera or other high-tech gadget? You might do well to read about the product's capabilities in a brochure rather than taking it for a test-run in an interactive, computer-generated virtual world. According to new research by **Ann Schlosser**, an associate professor of marketing and Marguerite Reimers Fellow, Web sites offering object interactivity may improve vivid mental images compared to those with simple static pictures and text, but those virtual experiences can lead to the creation of fabricated recollections that pose as memories—commonly referred to by psychologists as false positives.

Schlosser's study, published in the *Journal of Consumer Research*, shows that virtual experiences may help improve true memories but actually lead most people to think a product can do more than it is capable of.

Companies that offer interactive demonstrations should beware that they don't generate ill feelings among consumers who feel misled by the experience.

### What makes employees voluntarily quit—or keep—their jobs?

Employers would be better at keeping workers if they focused on why their employees want to stay rather than what makes them quit. This according to a study by recent UW doctoral student **Wendy Harman** (PhD 2006), now an assistant professor at Truman State University, **Terence Mitchell**, the Edward E. Carlson Distinguished Professor in Business Administration, and **Thomas Lee**, the Hughes M. Blake Professor of Management.

Reviewing 15 years of research on employee satisfaction and voluntary turnover, the research team found that the reason employees quit often has nothing to do with being unhappy about the job. On the other hand, they found that organizations that foster a sense of community among their employees often prevent them from quitting.

"The reasons we keep a job are not necessarily the opposite of why we leave," says Lee. "We may stay at a job we dislike because we are linked with others—we feel a sense of belonging to a group that depends on us and we'd have to sacrifice things that are important to us should we move."

The paper appears in the journal *Current Directions in Psychological Science*. UW doctoral students **William Felps** and **Bradley Owens** also are co-authors.

### A company's reputation gets fried when its books get cooked

While fines imposed by regulators and courts on companies that falsify records may seem substantial, the largest mon-

etary penalties suffered by these companies are the result of a damaged reputation when news of their misconduct is reported.

This according to a study led by **Jonathan Karpoff**, the Norman J. Metcalfe Endowed Professor in Finance. Investigating 585 companies disciplined in the past 30 years by the Securities and Exchange Commission or the Department of Justice for financial misrepresentation, Karpoff found that, on average, companies that "cooked their books" lost 41 percent of their market value after news spread about their misdeeds—more than 7.5 times the amount of all penalties imposed through legal and regulatory systems.

"Financial misrepresentation is an especially costly activity because financial transparency is a particularly valuable asset," he says.

### Bargain or waste of money? Consumers don't always agree

Once consumers buy an item, it is often difficult for them to get rid of it, even if it makes rational sense to do so. This is even the case if those purchases might include shoes that cause blisters or clothes that no longer fit, says **Erica Okada**, an assistant professor of marketing. In their minds, she says, it would be a "waste" of good money to throw a purchased item away, even if the money has already been spent and further use of the item isn't going to bring the money back.

In a study published in the *Journal of Marketing*, Okada found that in

markets where there are frequent, successive introductions of new and enhanced products, consumers who have bought an older model have a similarly difficult time upgrading to a new version.

In such markets, Okada theorizes, consumers may be persuaded to overcome this psychological barrier if the new products have new features. On the other hand, improving existing features would be more attractive to first-time buyers.

### Emotionally ambivalent workers are more creative, innovative

People who experience emotional ambivalence in the workplace—simultaneously feeling positive and negative emotions—are more creative than those who feel just happy or sad, or lack emotion at all, according to a study by assistant professor **Christina Ting Fong**.

That's because people who feel mixed emotions interpret the experience as a signal that they are in an unusual environment and thus respond to it by drawing upon their creative thinking abilities.

"It's often assumed that mixed emotions about workplace experiences are bad for workers and companies," says Fong, whose study appears in the *Academy of Management Journal*. "Rather than assuming ambivalence will lead to negative results for the organization, managers should recognize that emotional ambivalence can have positive consequences that can be leveraged for organizational success." ■

— Nancy Gardner



## Fab five recruits join Business School faculty

One of the largest and most distinguished recruiting classes in the Business School's history will join the faculty this coming fall. **Lisa Sedor** (PhD 2001), assistant professor of accounting, comes from the University of Notre Dame, where she won the Dincolo Award for Excellence in Undergraduate Teaching and performed award-winning research on the judgment and decision-making processes of financial analysts. **Mark Soliman**, associate professor of accounting, joins the Business School from Stanford University, where he earned the MBA Distinguished Teaching Award and several best paper awards for research focused on the use of accounting information by capital markets participants. **Morela Hernandez**, assistant professor of management and organization, comes from Duke University, where she recently completed award-winning doctoral research in the areas of leadership and ethics. **Sonali Shah**, assistant professor of management and organization, comes from the University of Illinois at Urbana-Champaign, where she was recognized for teaching excellence and earned the Alfred P. Sloane Foundation Industry Studies Best Paper Prize for her work in the social structures that support innovation and entrepreneurship. And **Robert Palmatier**, assistant professor of marketing, joins the faculty from the University of Cincinnati, where he won the Marketing Science Institute Young Scholar award for his work on the financial impact of relationship marketing.

### UW Business School faculty ranks no. 1 in productivity index

According to a new index of research productivity, the Business School has the nation's most prolific faculty in the area of business administration. The Faculty Scholarly Productivity Index, released in January, also rated the School's marketing faculty eighth most productive nationally.

The index was created by Academic Analytics, a firm owned partially by the State University of New York at Stony Brook. Academic Analytics measured the output of faculty at 7,294 doctoral programs in 104 disciplines at 354 institutions over the period from 2001 to 2005. Criteria included number of book and journal articles published by each faculty member, as well as journal citations, awards, honors and grants received.

The resulting index rated universities overall and by individual academic disciplines, based on per-faculty-member scholarly output. The company claims it's the only faculty ranking that relies solely on objective data rather than reputation.

"It is gratifying to see our faculty recognized for its excellent and important research production," said James Jiambalvo, dean of the UW Business School. "This new index demonstrates what we have always known: our faculty is among the finest in the nation at both creating knowledge and imparting it to our students, who will be tomorrow's leaders."

A research ranking published by the University of Texas at Dallas placed the UW Business School faculty 21st among its peers in North America, based on publications in the leading 24 business journals during the period from 2002-06.

### Sustainability seminar adds to Executive Education portfolio

The UW Business School's new Executive Seminar, "Building Business Value Through Retail Sustainability," was created to support senior executives and managers of retail organizations, brand managers, professional advisors and real estate developers who wish to make a compelling business case for adopting or extending sustainable business practices from the way they do business to the products and services they sell.

The course, first offered this past May in partnership with the UW Retail Management Program, is led by Brian and Mary Natrass, managing partners of Sustainability Partners, Inc., one of North America's leading consulting firms on sustainable enterprise.

Participants explore why and how many of the nation's most successful retailers—including IKEA, Starbucks, REI, Target, Wal-Mart and Home Depot—are integrating sustainability into their operations and branding strategies.

UW Executive Seminars are brief, focused and practical professional development programs, led by the UW Business School's top faculty, on topics of special interest to senior managers and executives. The next retail sustainability seminar is scheduled to run in November (date TBA). Other upcoming Executive Seminars include: Leadership that Shapes the Future (September 17-19); Finance & Accounting for Non-Financial Executives (October 31-November 2); and Negotiating Skills (November 14-15); For more information, visit: [bschool.washington.edu/execed/](http://bschool.washington.edu/execed/).

## Herbold warns against being "Seduced by Success"

"Success is a huge business vulnerability," says Robert Herbold, a member of the Business School's Advisory Board who also happens to be an expert in matters of organizational hubris. The former senior executive at Procter & Gamble and chief operating officer at Microsoft is now managing director of The Herbold Group and an acclaimed author of business strategy. His latest effort, "Seduced by Success: How the Best Companies Survive the 9 Traps of Winning," examines the fortunes and follies of 44 marquee companies, from GM to IBM to McDonald's to eBay, identifying the nine deadly sins of successful organizations: neglect, pride, boredom, complexity, bloat, mediocrity, lethargy, timidity and confusion. After delivering the lessons from his cautionary tales to students and faculty of the Business School, Herbold spoke with *UW Business*.

*UW Business: Why did you write the book?*

Herbold: Over decades of industry experience, over and over again you see people and organizations getting complacent and comfortable. And pretty soon they're protecting the practices that brought them to success. They get very introspective and the debate becomes internal as opposed to customer and competitor focused. They can't imagine a world in which they're not important.

*Why is the phenomenon so rampant?*

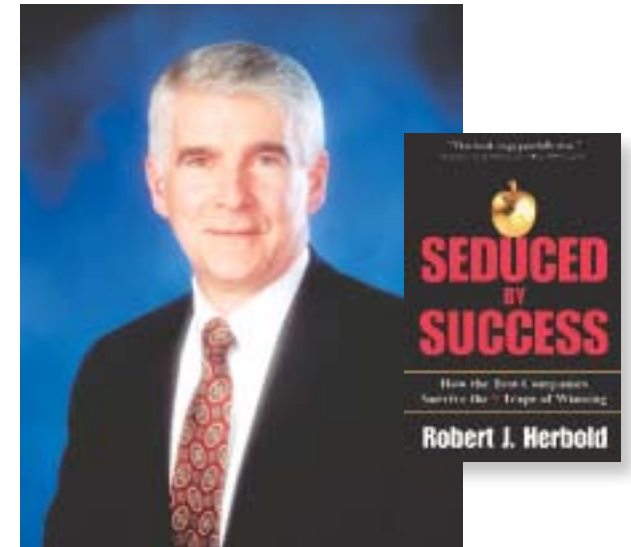
These behavioral characteristics are present in all of us. It's the way humans are built. So from a business standpoint, it's important to understand that you have these kinds of forces working against you at all times. And as soon as you fix the problems, they're going to set in again and again—so beware.

*What are your most illustrative case studies?*

Two very useful examples are Kodak and Sony, both of which failed to capitalize on a major technological inflection point—the Internet—that has transformed their industries without them. Kodak, king of photography, should have popularized the digital camera. Sony, creator of the Walkman, should have been able to retain its leadership in portable digital music rather than allowing Apple to take over with the iPod.

*How can we avoid being seduced by success?*

Here are a few suggestions (though there are many more in the book): First, face reality. And once you face reality, do something. Second, jump on bright new ideas from your industry and from others. Third, avoid the committee/compromise process if you want to generate big, distinctive ideas. In the mid-1990s, Kodak should have imagined a world where people can share photos electronically, then assigned a small group of their top talent to create a product to do this—and then listened carefully to what they came up with.



*What's an example of a company that has largely avoided the traps?*

Toyota does a great job of creating a culture of continuous improvement. Also, when they tackle a new direction, they make the objective very clear and they assign clear accountability. For example, back in 1997, they asked a very talented engineer to dream up a car that would meet the needs of people in a world in which oil would be increasingly scarce and expensive and the environment would be a global concern. That guy got a small team together and they designed the Prius. Toyota has cultivated a mindset that there's always a better idea out there.

*Is it possible to both celebrate success and avoid its seductions?*

One of the things that impressed me so much about Microsoft was how they handled success. When they finally shipped a product, the party was unbelievable. I know that because I saw the bills. But the next day it was back to work. The attitude was always one of "somebody is about to wipe us out." Bill Gates never changed his continual focus on, "Tell me what's wrong and how are we going to fix it quickly?" Getting that mentality into the organization is of paramount importance.

*What's the key lesson from the book?*

You're never done. Just as soon as you achieve anything, you constantly have to ask the question: where do we go from here? Because competition will catch up quickly. People will get comfortable. The organization will become bloated and there will be in-fighting. We must constantly worry about these things and never make the assumption that, well, we got things figured out. It seems so simple...



**Former Port CEO to serve as Fritzky Chair in Leadership**

How do you follow a high-profile career at the helm of the Port of Seattle? M.R. (Mic) Dinsmore (EMBA 1999) will serve on the UW Business School faculty as its Edward V. Fritzky Chair in Leadership for the 2007-08 academic year.

During his 15-year tenure as CEO of the Port, Dinsmore oversaw \$5 billion in capital improvement programs, including building or renovating four container terminals and two cruise terminals, revitalizing Seattle’s central waterfront, and rebuilding major portions of Seattle-Tacoma International Airport.

Since stepping down in March, Dinsmore has joined Stark Investments, one of the largest US hedge funds, as president of its infrastructure investment division. He also serves as chairman of the Federal Reserve Bank of San Francisco, Seattle branch. He recently completed a two-year term as co-chair of the National Center for Asia Pacific Economic Cooperation, an organization he helped found after the landmark 1993 APEC meeting hosted by President Clinton in Seattle.

**Business School to launch exchange with Chinese University**

The UW Business School and the Guanghua School of Management of Peking University have joined forces to offer an exchange program for undergraduates interested in learning in and about each nation’s market. Beginning in the 2007-08 academic year, UW undergraduates will have the opportunity to study in Beijing in exchange for Chinese students studying in Seattle.

“We are often challenged to get our students to adopt a global perspective,” says Bud Saxberg, faculty director of International Exchange Alliances. “With this exchange, students who study in both countries will gain a more worldly, educated and informative view of the business world. Given the importance of business relationships with China, the UW Business School has much to gain in following the modernization of China, which is progressing at warp speed.”

More than 100 Business School students are enrolled in the Certificate of International Studies in Business (CISB) program, which requires a foreign study experience before graduation. Some 25 students are in the Chinese track.

**New program navigates UW faculty “From Invention to Start-Up”**

Can one be both an academic *and* an entrepreneur? The Center for Innovation and Entrepreneurship (CIE) thinks so. And the Center has found a wealth of UW researchers interested in taking to market the technologies they’ve developed.

In its first year, CIE’s new workshop series, “From Invention to Start-Up,” drew entrepreneurial faculty and graduate students from nearly every corner of the University—business, computer science, bioengineering, radiology, chemistry, electrical engineering, economics, dentistry, physics, digital media, neurology, mechanical engineering, communications, even Slavic languages.

The two-quarter series delivered the elements of entrepreneurship by a faculty stocked with ringers from the region’s entrepreneurial and venture capital communities: Alan Dishlip of Wild Tangent, Jeremy Jaech of Visio and Trumba, Jeff Hussey (MBA 1995) of F5 Networks and Greg Gottesman of Madrona Venture Group, to name just a few. Each week covered one facet of the entrepreneurial process. Topics included business plans, persuasive pitches, founding team dynamics, marketing and market research, financing, personal risks and rewards, legal considerations, managing resources and, especially, the challenges of commercializing intellectual property created at the UW.

Participants—more accustomed to being on the podium than in the audience—left with practical knowledge to help them create a company from their brilliant ideas, as well as a measure of inspiration and confidence from being equipped for the adventure.

**MBA interns explore the effect of a greenhouse**

Nicole Moreland (MBA 2007), Kaia Peterson (MBA 2007) and Ben Lai (MBA 2007) spent last summer and fall miles away from the ordinary corporate internship. Literally and figuratively.

Theirs was an unconventional consulting project for the Confederated Tribes of the Colville Reservation, in northeastern Washington State near Grand Cooley Dam. The project, federally funded and facilitated by the UW Business and Economic Development Center, was to better utilize resources at the tribe’s non-profit greenhouse, which was operating only eight months of the year and producing primarily saplings for the tribe’s forestry department, which eventually sells mature trees to the Colville Tribal Enterprise Corporation.

The deliverables were familiar territory for any MBA: a market analysis of potential new products to increase capacity, an analysis of facility design, an investigation into alternative heating systems, an economic analysis of recommendations and, ultimately, a business plan that the tribal government could implement.

“The process was similar to what we would have gone through if the project had been for a for-profit enterprise,” says Moreland. “The main difference was that we were weighing more than just financial objectives. Economics were important, but so was creating employment opportunities, for instance. That’s not an objective that a for-profit business would usually consider, and it was really satisfying to have social as well as financial objectives.”

Another difference was managing sensitivity to tribal culture and tradition. “We talk about culture in business,” Moreland says, “but in this case, we talked about it very openly and were expected to pay attention. Culture is who they are.”

After months of Colville treks, research, interviews, and exhaustive meetings with tribe members and greenhouse manager Randy Friedlander, the trio delivered its recommendations last fall: expand on outdoor acreage to adopt a year-round growing schedule, shift some production space to cultivate tomatoes and cucumbers, and install a biomass heating system (using cheap scraps from cut timber) as a cost-effective means to power these measures.

For the MBAs, the result was certainly less memorable than the journey. But the way that they and their plan were received was most satisfying of all. The final presentation took place in tribal council chambers, amid a range of young and old, modern and traditional. “Their heartfelt thanks was really striking; so many people said the kindest things,” Peterson says.

They also said some unexpected things—in a good, challenging way for students perhaps too accustomed to the rat-a-tat pace of the MBA. “A lot of things came up in the conversation after the presentation that roamed pretty far off topic,” Peterson recalls. “Straw bale construction? Water power rather than biomass? A better way to irrigate?”

“It was an open forum, and you could bring up anything,” she adds. “In the MBA program, we’re so focused on being efficient that the scope of our meetings is really narrowly defined. And even though it was bizarre that they were bringing up straw bale construction, it was refreshing in a way. They’re thinking about this project in a larger context: how it relates to their tribe.”



Colville greenhouse manager Randy Friedlander with MBAs Nicole Moreland, Kaia Peterson and Ben Lai.

## Technology Management MBA launches entrepreneurs

Call it coincidence. Call it fate. Phil Yerkes (TMMBA 2003) and John Calian (TMMBA 2003) call it Movaya.

By the time they met in 2002, Yerkes had done business development for RealNetworks since 1995 and Calian was a seasoned web developer for eNom. Members of the same class and study team in the Technology Management MBA Program, they soon found another commonality: entrepreneurial notions.

Over the course of the 18-month program, they sketched a business that would sell content over wireless networks. Over time, the concept evolved into a leaner, more scalable model: a platform that enables busi-

nesses and individuals to sell digital content—including games—to mobile subscribers, a kind of Internet gold-rush outfitter “supplying people with the tools to find the gold,” Calian says. That’s Movaya.

The pair continued to work for their respective companies through and after the TMMBA. But the idea never escaped them. And wireless devices grew smarter and faster. In 2004 they filed the paperwork and brought in another developer to help write the software. By fall of 2005 they had a prototype and began courting customers.

“We pitched it to VCs and angel investors,” Yerkes says. “And nobody told me to keep my day job.”

So he quit. Calian, too.

Now the chief executive and chief operating officers, Yerkes and Calian have recently released the Movaya platform to beta customers. “The market will determine our fate,” says market veteran Yerkes.

The Movaya creators are no anomaly in the young TMMBA Program. Among its ranks are many company founders, including Joti Basi (TMMBA 2004), VillageAdvisor.com; Jason Strashak (TMMBA 2004), Cardant Retail Enterprise Systems; Charles Morton (TMMBA 2005), Integrated Project Solutions; Lauren Selig

(TMMBA 2002), Lala Laptop; and Scott Edison (TMMBA 2003), Northwest Exclusives. Nate Hines (TMMBA 2007), Kavita Kamani (TMMBA 2007) and Jeff Nichols (TMMBA 2007) entered Helios Biodiesel, their plan to produce biodiesel from reclaimed cooking oil, in this year’s UW Business Plan Competition.

“The kind of tech-savvy people the TMMBA program attracts tend to be predisposed toward entrepreneurial thinking. Even if they work at Boeing, Microsoft or Amazon, they’re always talking to classmates about their ideas,” says TMMBA faculty director Steve Sefcik. “Through its core curriculum and entrepreneurial ‘selective’ offerings, the program equips them with both the management tools and the confidence to launch their own enterprises.”

Sloan Ritchie (TMMBA 2003) did just that. He leveraged his TMMBA to jump from telecommunications network development to construction of “eco-urban” or “green” residential homes. Through the company he founded, Cascade Built, Ritchie is among the first developers in Seattle to build homes with the most environmentally benevolent appliances, technologies, materials and methods. The result is stylish but affordable urban housing—certified for energy efficiency and environmental design.

It was a leap of faith, to be sure. But Ritchie says the TMMBA program prepared him well in finance, management and marketing—and also in the “soft” skills like negotiation and



PHIL YERKES AND JOHN CALIAN



SLOAN RITCHIE

creative thinking that have proven just as critical. He recalls a strange assignment in one of his entrepreneurship courses. Every week he was to cold-call an expert in a line of work he knew nothing about, then conduct an informational interview. “It was a pretty goofy assignment,” Ritchie says. “But it was also a great way to get comfortable at reaching out to people you don’t know in industries you don’t know. That’s been one of the most valuable lessons I got out of the program. It’s crucial for me to be able to do that now. Every day I learn something new.”

*The UW Technology Management MBA program is an 18-month degree program located in Kirkland. Established in 2001, the program has grown to two sections and now counts more than 300 alumni.*

## MBA Global Study Tours include Canada for the first time

More than 90 MBA students spent extended spring breaks exploring the economy, business climate and culture of Argentina, China, India or Greece and Turkey. A group of nearly 50 Executive MBA students also spent a week taking in the business landscape of Argentina and Brazil.

For the first time, a group of MBAs also took a whirlwind study tour of the United State’s largest trade partner: Canada. Led by Canadian Saara Romu (MBA 2007) and Canadaphile Vanessa Brewster (MBA 2007), the 14 participating MBAs delved into Vancouver and environs over the Presidents Day weekend. They met the CEO of the Vancouver Aquarium, lunched with the director of the Vancouver Board of Trade, and talked finance with the directors of investment and corporate banking at CIBC World Markets. They dined with the executive chef and president of the Pacific Culinary Institute, and met with representatives of the Canadian Consulate. They talked urban planning, environmental management and the upcoming Olympic Games with the mayor of Vancouver, and toured the Vancouver Olympic Committee’s offices. They toured Vancouver Harbor, Granville Island and Grouse Mountain, and celebrated Chinese New Year.

“I was particularly amazed by how a city gears up for a big event like the Winter Olympics,” says Sonal Mittal (MBA 2007). “The tour provided a lot of insight into the changes that will happen in Vancouver over the next three years as infrastructure is improved to avoid overcrowding and every business builds around the main event.”



MBAs hit the streets of Vancouver during the first Canada study tour.