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ACCOUNTING AND MANAGEMENT


ABSTRACT


I investigate whether managers respond to the pressure of a shareholder activism campaign by strategically managing earnings upwards to mask operational underperformance. Sample firms report significantly higher abnormal and total accruals in the quarter following the launch of an activism campaign, concurrent with a short-lived improvement in profitability. This effect is significantly stronger for firms facing higher shareholder discontent and capital market pressure where the market reacts more positively to the campaign announcement, for firms with poorer operational performance at the time of the campaign and with higher analyst coverage. Finally, I document that the market anticipates the increased incentives for managerial bias in that the value relevance of earnings surprises in the quarter following activism is substantially dampened. Collectively, the evidence sheds light on how financial reporting is used and interpreted by managers and investors in the context of shareholder activism.

ABSTRACT


Using data from a retail chain, this paper studies the effects of a preferential plan providing incentives only to exemplary employees. Such plans incorporate elements of tournaments (through the selection of employees chosen largely on the basis of past performance but incorporating some managerial discretion) and linear incentives to align employees with company goals and values. We find that, on average, the implementation of the preferential incentive plan was associated with improvements in sales. Also, we find that this plan was associated with greater improvements in sales and gross profits as well as reductions in the incidence of bad audits in stores where employees were initially less likely to be aligned with company goals. However, the plan was associated with lower sales and gross profits and higher incidence of bad audits, but only in situations where managers could have perceived the plan to be unattainable or unfair. Our study sheds light on the impact of preferential incentive plans and the conditions under which these plans are more or less effective.

BUSINESS ECONOMICS


ABSTRACT


I provide a theory of liability-driven international capital flows in which firms act as cross-market arbitrageurs in the global credit market. I show that credit markets are segmented along currency fault lines. The relative prices of credit risks denominated in different currencies is prone to demand shocks, such as Quantitative Easing, and is slow to revert. Through the choice of the issuing currency, firms act as cross-market arbitrageurs helping to partially integrate separate markets. This arbitrage exposes firms to FX risk, which they partially hedge. The currency hedging activities in turn generate violations of covered interest rate parity (CIP) as an equilibrium outcome. I document large and sustained violations of long-term CIP and offer explanations of these violations in the context of liability-driven capital flows. I further explore the price dynamics of cross-currency basis swaps, the market instrument for trading CIP deviations. Consistent with my theory, CIP deviations function as an indicator for imbalances in the supply and demand of relative funding conditions. Full integration of global credit markets is hindered by capacity constraints of the currency forward market. Segmentation in the credit market at different maturities also provides an equilibrium characterization of the term structure of CIP violations.

ABSTRACT


Can open tournaments improve the quality of city
services? The proliferation of big data makes it possible to use predictive analytics to better target services like hygiene inspections, but city governments generally have the in-house talent needed for developing prediction algorithms. Cities could hire consultants, but a cheaper alternative is to crowdsource competencies by making data public and offering a reward for the best algorithm. This paper provides a simple model suggesting that open tournaments dominate consulting contracts when cities have a reasonable tolerance for risk and when there is enough labor with low opportunity costs of time. We also illustrate how tournaments can be successful by reporting on a Boston-based restaurant hygiene prediction tournament that we helped coordinate. The Boston tournament yielded algorithms—at low cost—that proved reasonably accurate when tested “out-of-sample” on hygiene inspections occurring after the algorithms were submitted. We draw upon our experience in working with Boston to provide practical suggestions for governments and other organizations seeking to run prediction tournaments in the future.

HEALTH POLICY MANAGEMENT

ABSTRACT
Song, Hummy, Anita L. Tucker, and Karen L. Murrell. “The Diseconomies of Queue Pooling: An Empirical Investigation of Emergency Department Length of Stay.” Management Science 61, no. 12 (December 2015): 3032–3053. We conduct an empirical investigation of the impact of queue management on patients’ average wait time and length of stay (LOS). Using an emergency department’s (ED) patient-level data from 2007 to 2010, we find that patients’ average wait time and LOS are longer when physicians are assigned patients under a pooled queuing system with a fairness constraint compared to a dedicated queuing system with the same fairness constraint. Using a difference-in-differences approach, we find the dedicated queuing system is associated with a 17% decrease in average LOS and a 9% decrease in average wait time relative to the control group—a 39-minute reduction in LOS and a four-minute reduction in wait time for an average patient of medium severity in this ED. Interviews and observations of physicians suggest that the improved performance stems from the physicians’ increased ownership over patients and resources that is afforded by a dedicated queuing system, which enables physicians to more actively manage the flow of patients into and out of ED beds. Our findings suggest that the benefits from improved flow management in a dedicated queuing system can be large enough to overcome the longer wait time predicted to arise from nonpooled queues. We conduct additional analyses to rule out alternate explanations for the reduced average wait time and LOS in the dedicated system, such as stinting and decreased quality of care. Our paper has implications for healthcare organizations and others seeking to reduce patient wait time and LOS without increasing costs.

ABSTRACT

BACKGROUND: How some organizations improve while others remain stagnant is a key question in healthcare research. Studies identifying how organizations can implement improvement despite barriers are needed, particularly in primary care.

PURPOSE: This inductive qualitative study examines primary care clinics implementing improvement efforts in order to identify mechanisms that enable implementation despite common barriers such as lack of time and fragmentation across stakeholders.

METHODOLOGY: Using an embedded multiple case study design, we leverage a longitudinal dataset of field notes, meeting minutes, and interviews from 16 primary care clinics implementing improvement over 15 months. We segment clinics into those that implemented more versus those that implemented less, comparing similarities and differences. We identify interpersonal mechanisms promoting implementation, develop a conceptual model of our key findings, and test the relationship with performance using pre/post patient surveys.

FINDINGS: Nine clinics implemented more successfully over the study period, while seven implemented less. Successfully implementing clinics exhibited the managerial practice of integrating, which we define as achieving unity of effort among stakeholders and stakeholders within and outside the clinic into the process. It provides clinic managers with an actionable path for implementing improvement.

MANAGEMENT
Polzer, Jeffrey T., Patricia Satterstrom, Lisa B. Kwan, Wannawiruch Wiruchnipawan, and Marina


Scoblic, J. Peter, and Philip E. Tetlock. “We Didn’t See Donald Trump Coming; But We Could Have.” Washington Post (February 14, 2016).


**ABSTRACT**


Prevailing theories of the firm operationalize value for stakeholders financially, particularly through firm performance measures. Yet, little is known about the cognitive effects of financial performance measures on these stakeholders and their satisfaction with the firm. Through a series of experiments, I find that reporting financial performance measures, relative to nonfinancial performance measures, decreases stakeholders’ satisfaction, specifically for employees (studies 1 and 2), customers (study 3), and investors (study 4), but not for those stakeholders who have gone through the U.S. higher education system. I theorize that financial measures shift stakeholders’ framing of the firm’s activities from one of value creation to one of value distribution, as evidenced by prosocial motivation partially mediating the effect for employees (study 1) and investors (study 4), and that Western higher education moderates the effect through legitimizing financial performance and thus financial performance measures.

**ABSTRACT**


Social hierarchies are ubiquitous and ever-present in teams. They can be conceptualized on a spectrum from more rigid to more dynamic; when they are rigid (i.e., the rank ordering of people is static), social hierarchies can prevent teams from recognizing and using all of their members’ contributions, which is particularly problematic for teams working in changing environments or on complex tasks. Such hierarchies are difficult to change, reinforced by conscious and unconscious factors as well as social-structural systems. There is evidence that social hierarchies can become more dynamic, yet we know little about the micro-processes that unfold over time that help create such change. I conducted a 31-month ethnographic investigation into these processes in “change teams” in primary health care clinics. These teams were specifically charged with moving their organization toward more dynamic social hierarchy to remain competitive in their industry; I studied how they did this within their own team. Through close observation of their weekly team meetings, coupled with interviews and examination of archival data, I identify the moments in a team’s life when a member engages in a microwedge—an extra-role behavior that provides information that undermines the status quo and that was not previously held by the team. These microwedges, over time, help to create cognitive changes in team members, prompting them to change their task strategies, role responsibilities, and communication patterns to promote dynamic social hierarchy in the team. This study extends and generates theory about social hierarchy, voice, and leadership. It also has practical implications for how team members can engage with the social hierarchy in which they are embedded, alter their teams’ processes, and help their organizations rethink taken-for-granted assumptions about the capabilities and preferences of their members.
ABSTRACT


We investigate whether organizations can create value by introducing visual transparency between consumers and producers. Although operational transparency has been shown to improve consumer perceptions of service value, existing theory posits that increased contact between consumers and producers may diminish work performance. Two field and two laboratory experiments in food service settings suggest that transparency between consumers and producers not only improves customer perceptions, but also increases service quality and efficiency. Transparency between consumers and producers diminishes work performance and thus was more appreciated of the effort exerted. We find that transparency, by visually revealing operating processes to consumers and beneficiaries to producers, generates a positive feedback loop through which value is created for both parties.

ORGANIZATIONAL BEHAVIOR


Arnett, Rachel D., and Jim Sidanius. “Sacrificing Status for Social Harmony: Concealing Relative High Status Identities from One’s Peers.” (Under review at Organizational Behavior and Human Decision Processes.)


Gino, Francesca, Ovul Sezer, L. Huang, and Alison Wood Brooks. “To Be or Not to Be Your Authentic Self: Catering to Others’ Preferences Increases Anxiety and Hinders Performance.” (Under review.)


Kim, Tami, Ovul Sezer, Juliana Schroeder, Jane L. Risen, Francesca Gino, and Michael I. Norton. “Group Rituals Improve Group Performance.” (Under review.)


**ABSTRACT**


In this article, we examine a case of task segregation—when a group of workers is disproportionately allocated, relative to other groups, to spend more time on specific tasks in a given job—and argue that such segregation is a potential mechanism for generating within-job inequality in the quality of a job. When performing those tasks is undesirable, this allocation has unfavorable implications for that group’s experienced job quality. We articulate the processes by which task segregation can lead to workplace inequality in job quality through an inductive, interview-based case study of airport security-screening workers at a unit of the U.S. Transportation Security Administration (TSA) at a large urban airport. Female workers were disproportionately allocated to the pat-down task, the manual screening of travelers for prohibited items. Our findings suggest that this segregation led to overall poorer job quality outcomes for women. Task segregation overexposed female workers to processes of physical exertion, emotional labor, and relational strain, giving rise to negative outcomes, self-reported exhaustion, and lack of coping resources. Task segregation also disproportionately exposed female workers to managerial sanctions for taking recuperative time off and a narrowing of their skill set that may have contributed to worse promotion chances, pay, satisfaction, and turnover rates for women. We conclude with a theoretical model of how task segregation can act as a mechanism for generating within-job inequality in job quality.
country, that following heuristic recommendations could have significantly increased agent profitability by reducing stockouts and in some cases could have also reduced inventory holding.

ABSTRACT

A long line of research examines how best to schedule work to improve operational performance. This literature traditionally takes the perspective of a central planner who can structure work and then expect individuals to execute tasks in a prescribed order. In many settings, however, workers have discretion to deviate from the assigned order. This paper considers the operational implications of “discretionary task ordering,” defined as the task sequence resulting from an individual’s ability to select which task to complete next from a work queue. Using data from 91 physicians reading a total of more than 2.4 million radiological studies over a period of two and a half years, we examine the conditions under which discretion is exercised and the performance effects of those choices. We find that, on average, deviations lead to slower read times. Doctors tend to deviate more with experience and when they have more variety within their queue. Interestingly, deviations tend to be more effective under those conditions, yet the improvement is not enough to offset the average deviation penalty. To develop our results further, we explore two common ordering heuristics: shortest expected processing time and batching similar cases. We find that choosing the shortest cases first is particularly detrimental for speed. Finally, batching is associated with better performance when it occurs naturally, but not when it results from using discretion. Our research offers a behavioral perspective on queue management and highlights that managers must be careful when allowing discretion within worker queues.