FEATURE
Navigating the Commercial Paper Market
Getting into the short-term financial world without getting burned
The research impact efforts of our faculty were highly successful this past year, and I would like to share a few highlights.

Professor John Kasarda received the third annual Bullard Research Impact Award (see the back cover) and published the book, “Aerotropolis: The Way We’ll Live Next.”

Professor David Hoffman – by request of the U.S. Department of Interior – is serving as an academic expert on the National Research Council/National Academies of Science committee to investigate the Deepwater Horizon accident and recommend prevention strategies.

The Financial Times featured cases by our faculty on topics related to Africa. Cases included my work with UNICEF to provide lifesaving food to malnourished children; Procter & Gamble’s Pur water purifier reported by Lisa Jones Christensen and Carol Seagle; and Jamii Bora’s microfinance efforts to alleviate poverty examined by Jones Christensen and Center for Sustainable Enterprise Managing Director Jessica Thomas.

We hosted the research impact conference, “Innovating the Global Supply Chain,” April 7-8 in Chapel Hill. Nearly 100 participants – including faculty and doctoral students from UNC, Harvard, Cornell, UCLA, Virginia, Georgetown, Duke and Georgia Tech – brainstormed about future strategies with top industry executives, including AGCO’s CEO, Belk’s CFO, Wipro’s global sales president, ShopperTrak’s former CEO, Wal-Mart’s former vice president and Polaris’ global operations vice president.

We hope that this edition of R.O.I. gives you a sense of the innovative work in which our faculty is engaged. Please contact me if you would like to know more.

Sincerely,

Jayashankar M. Swaminathan
Senior Associate Dean of Academic Affairs
Glaxo Distinguished Professor of Global Business
Faculty Director of UNC-CIBER
msj@unc.edu
Navigating the Commercial Paper Market

Getting into the short-term financial world without getting burned

If you’ve ever bought a car for zero-percent financing, you can thank the commercial paper (CP) market.

CP—very short-term loans at very low interest rates—allows large companies to have immediate access to short-term financing at very low cost. Used prudently, companies can use it to efficiently make new investments for future growth. Many large industrial and consumer finance companies pass the low rates on to customers, selling everything from cars to bedroom suites through attractive “no interest for six months” financing deals.

Cheap financing has been critical to bolster performance, revenues or product sales for many companies, said finance professor Anil Shivdasani. CP provides the least expensive form of borrowing, but it must be rolled over very frequently—exposing it to risk with each rollover.

“In normal times, that strategy works very well,” Shivdasani said. “In the financial crisis, it brought some companies to the brink of collapse.”

After Lehman Brothers went bankrupt in September 2008, the reserve fund “broke the buck” on money market funds, and the CP market panicked. As financial markets began shutting down, the massive liabilities being rolled over—overnight borrowing of tens of billions of dollars for individual companies—looked like an economic avalanche of catastrophic enormity.

The list of companies potentially in jeopardy was a veritable “Who’s list of companies potentially in jeopardy was a veritable “Who’s Who in Corporate America.” The Federal Reserve stepped in and the reserves were revealed to offer attractive financing rates to customers on the fence about taking on excessive risk. Shivdasani saw a massively reduced reliance on CP markets, and many weaker companies dropped out altogether. The alternative to taking on the risk of CP, though, was to refinance their obligations in the regular bond markets or for banks, both of which were considerably more expensive than CP markets and limited a company’s ability to offer attractive financing rates to customers on the fence about whether to purchase the company’s products.

CP borrowing fell sharply after the financial crisis because companies had a newfound appreciation for the risks.

As markets stabilized, many financial experts questioned whether companies were taking on excessive risk by borrowing so heavily in the CP market. But textbooks kept mum on the appropriate use of the CP market.

“Did companies get intoxicated by very cheap financing without appreciating the risk?” Shivdasani asked. “That’s what drove us to write this paper.”

Shivdasani collaborated with Matthias Kahl of the University of Colorado-Boulder and Yihui Wang of the Chinese University of Hong Kong to write “Why Do Firms Use Commercial Paper?”

The researchers conducted a systematic analysis of the CP market to examine how it could be used best. They documented, for the first time, how many companies used the CP market and how frequently they use it, how long companies stay in the market, the amounts companies borrow and their patterns of borrowing, how borrowing affects companies’ ability to make investments, the risks involved and how companies manage those risks.

Complicating their work was the fact that CP is the only class of unregistered securities in the U.S. Because companies do not have to file registration statements with the Securities and Exchange Commission, CP is somewhat of a shadow financial system.

Using a natural experiment, the researchers showed that CP has been a comprehensive firm-level database of CP activity from the inception of CP-ratings in the early 1990s. They also hand-collected a large panel data set of actual CP borrowings from 10-K filings. With this information, they examined corporate behavior around three dimensions of CP market participation: the decision to enter the CP market, the actual borrowing and the exit from the market.

What Shivdasani and his colleagues discovered about companies’ activities in the CP market made sense, given the risks and rewards inherent in the market.

The CP market is dominated by a very large, highly creditworthy companies that can withstand the risk should the market shut down. During a financial crisis, they can refinance their obligations through other channels. Weaker companies typically don’t have those options.

“This absolutely has implications for the financial structure of these companies,” Shivdasani said. “If you want to be aggressive in the CP markets, you’ve got to have a very conservative financial profile elsewhere in your business.”

Key take-aways

+ Despite the massive volatility in short-term financing markets over the past five years, CP remains an attractive and viable financing source for large companies.
+ Companies need to appreciate the risks of financing in short-term markets and be prepared to refinance their obligations in long-term markets to avoid the risk of financial distress.
+ CP can enhance liquidity and allow companies to make new investments for future growth more efficiently, if the risks are appropriately managed.
To err is human. But what happens afterward?

What people do after they make mistakes can mean the difference between life and death. Just ask frontline care providers at a hospital or anyone connected with the Deepwater Horizon explosion.

Organizations develop effective operating procedures to prevent errors, but they will never be perfect, says organizational behavior professor David Hofmann, a recognized authority on leadership, safety in high-risk environments.

"Errors have been ubiquitous since Adam and Eve bit the apple and will continue to be forever," Hofmann said. "In some areas, errors won’t kill people but can kill a 401(k) or cause expensive technologies to fail."

So organizations also need to design systems to manage errors after they occur and before they cause significant harm, says Hofmann. The study results in his forthcoming book, "Help in the Shadow of Doubt: The Sensemaking Processes Underlying How Nurses Decide Whom to Ask for Advice." Hofmann undertook a study with Zhike Lei (UNC Kenan-Flagler PhD ’05) of the European School of Management and Technology and Adam Grant at the University of Pennsylvania. They surveyed nurses in a 500-bed hospital, and asked them to evaluate other nurses on the unit in terms of expertise, accessibility and trust. The survey also presented a number of situations and asked whom they would approach for advice. By linking the survey data, the researchers could investigate factors that predicted whom nurses would seek out for informal consultations. They published their study results in the Journal of Applied Psychology article "Seeking Help in the Shadow of Doubt: The Sensemaking Processes Underlying How Nurses Decide Whom to Ask for Advice."

One of their key findings was that having a trusting relationship trumped accessibility when approaching an expert. In other words, strong interpersonal relationships built on trust provided individuals entrance into the expert’s network—even if that expert was very, very busy and seemed inaccessible to most. Thinking about it this way, mentors make time to help valued mentees even if they are very busy, because of the relationship.

But the flip side also occurs. Nurses who did not have well-developed relationships with others on the unit had difficulty seeking out advice because of the risk involved. This has broad reaching implications as more and more organizations adopt these staffing models to increase flexibility and costs, they also need to consider how this newly formed structure will function when things go wrong. Because, Hofmann says, “We know things will eventually go wrong.”

His findings suggest that one way organizations can reduce the potential risks associated with these types of staffing arrangements is by making the process of seeking out expertise safer.

One way to do this is to formally designate an expert as the “go-to” person within the unit. By design, the designated expert:

- Is expected to be accessible and provide help as part of his/her job
- Has a somewhat reduced workload to allow time for helping and mentoring less experienced employees
- Is not the unit supervisor who conducts performance evaluations so that workers feel safe about asking for help

This research project builds on Hofmann’s other studies that investigate safety and human error issues in different industries. The cumulative findings help organizations develop systems and cultures that aid them in managing safety risks. Hofmann is continuing this work with the Department of Interior by serving on the National Research Council/National Academies of Science committee investigating the Deepwater Horizon accident to examine what happened and recommend how to prevent such accidents in the future.

“The perspective I hope to bring to the committee will be on the effects of organizational culture and management decision-making and the inner workings of team dynamics and decision-making in complex situations,” he said.

One thing is certain, he said. “There’s an opportunity for many industries to get better.”

Key take-aways

- Although seeking out the person with the most expertise in an organization seems to be the logical thing to do when needing advice, this often does not occur.
- To ensure that experts are sought, create both a climate and processes that make it easy and safe to ask for advice and help.
- Efficiency, flexibility and costs aren’t the only criteria for strategic decisions about operations. Managers also need to factor in how the resulting system will function when things go wrong.
In the aisles of grocery stores, battles are raging for shelf-space.
Private labels, also known as store brands, are battling national brands to win the war of market share. Marketing professor Katrijn Gielens covers their battles like an imbedded journalist in a war zone, documenting the outcome of their strategic campaigns.

Over recent years, Gielens has watched retailers become more powerful than manufacturers in consumer packaged goods. Regardless of how much manufacturers spend on efforts to increase their brand power, retailers stand between them and consumers since they control shelf space. Retailers want to increase their share of customers since they control shelf space. Retailers want to increase their share of purchases in specific categories as economy and premium private-label lines as economy and premium private-label lines are introduced sequentially. They used choice models on every two products purchased in a supermarket is a private label. Private labels used to be positioned as economical, second-best alternatives. But as they step up efforts to compete with national brands, they’ve expanded into three tiers, offering a good-better-best quality line to increase their appeal to cost-conscious shoppers who are hesitant to give up the aspiration aspects intrinsic to national brands.

Gielens and her colleagues at Tilburg University investigated how great a threat this expanded product line poses to national brands. Also, when introducing premium lines, some retailers deliberately choose to use a name that does not reference the store name, like Ahold did at its U.S. chain Stop & Shop when calling the premium line “Simply Enjoy.” As such, it does not risk tarnishing the price perception of the store name. To run the analysis of the econometric study to learn why the choice shares change. The researchers—Gielens, Inge Geyskens and Els Gijsbrechts—published their findings in “Proliferating Private-Label Portfolios: How Introducing Economy and Premium Private Labels Influences Brand Choice” in the Journal of Marketing Research.

The results surprised the researchers. Competing with national brands was more complex than private-label manufacturers anticipated, Gielens said.

Generally, private labels damage national brands. But when private labels attempt to capture greater market share by introducing economy and premium lines, they can cannibalize the market share of their incumbent private-label lines. Customers loyal to the private label try the new products that come out at different tiers. Standard private-label sales suffer because the new product choices inevitably draw some standard and premium customers to the economy line, which cut into the label’s margin as well. Gielens calls this the divided-loyalty effect.

Moreover, when private labels use umbrella branding—putting the same store brand name on all quality tiers—it stimulates the similarity effect, as Gielens calls it. “When you put your name on one of your economy lines, you risk diluting the quality perception of your standard line,” she said.

One way to combat the similarity effect is to create a different brand name for each line, separate from the store name. For instance, when retail giant Carrefour launched an economy line in its international markets, it called it “No. 1.” Because the relationship between the new line and the regular Carrefour private label is not apparent, the separate brand name could form its own distinct cachet—and avoid the potentially negative spillover from the lower quality economy line.

Also, if you go in the world, private labels are commanding a greater market share. In the U.S., it’s about 20 percent, expected to increase to 30 percent. In the U.K., one of

The competition between private labels and national brands is heating up,” Gielens said. “Because when you market more similar to private labels,” she said. “That’s not going to help you.”

Still, the initial reaction of some national premium brands to the expanded product lines of private labels was to drop their prices in hopes of competing for the cost-conscious shopper’s business. Gielens counsels against this strategy for premium national brands. “When you decrease your price, you make your brand more similar to private labels,” she said. “That’s not going to help you.”

By holding quality standards high, national brands set themselves apart. By maintaining that high quality, they reinforce consumers’ perception that they are better than private labels. And that strong branding appeal serves them well, even when private labels introduce a premium line.

Second-tier national brands also can win when economy private-label lines are introduced and needn’t fear direct competition with them. When economy private-label lines are introduced, these mainstream national brands can become the reasonable “compromise” option for more budget-oriented consumers. Consequently, second-tier national brands might sell well when closely positioned on the same shelf space as economy private labels. With that in mind, private labels could consider separate positioning, for instance, in a separate “featured bargain” section near the store’s entrance.

Continue to look for reports from Gielens on the ongoing battle between national brands and private labels for consumer allegiance. The econometric study of the effect of private label extension on market share has inspired her to launch a new study on the impact of new product introductions or product modifications that national brands might have on private labels.

Key take-aways

+ National brands should avoid decreasing prices when competing with private labels.
+ Mainstream national brands can benefit from positioning their products closely on the same shelf as economy private labels because they become a reasonable compromise option.
+ Extending private-label tiers risks cannibalizing the entire line and decreases margin by drawing some premium customers to the economy tier.

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Unfortunately for investors, retail merchandise inventory doesn’t come
with a freshness date.

Knowing the age of the inventory is critical when comparing the balance
sheets of two retailers that show an identical dollar value of inventory,
said Sarasvati Kesavan, assistant professor of operations, technology
and innovation management.

“It is important to know how much of that inventory is going to be sold at
a price greater than what it was purchased for, and what will have to be
discounted or sent to salvage,” Kesavan said. “As an investor, there’s no
way to figure out whether a retailer is going to write off that inventory or
whether they’re carrying stale inventory on their balance sheet.”

One hedge-fund manager, a Harvard alumnus who credits his com-
petitive advantage to his ability to value retailers’ inventory better than
other Wall Street analysts, hires an army of foot soldiers to visit stores
and report back on how much stale inventory the stores appear to
carry. But even that’s not a failsafe: The retailer could have stale inven-
tory stored in a warehouse.

Kesavan saved the shoe leather and second-guessing by creating an
econometric model that predicts retailers’ sales better than Wall Street
analysts. He published the results of his work with Vishal Gaur of Cornell
University and Ananth Raman of Harvard University in the article “Do
Inventory and Gross Margin Data Improve Sales Forecasts for U.S.
Public Retailers?” in Management Science.

Kesavan tested his model against the predictions of Wall Street an-
alysts who are highly compensated to provide accurate forecasts of
sales, earnings and other financial metrics of retailers. His model
matched or outperformed the accuracy of the analysts.

Until Wall Street analysts gain a better understanding of the quality of
inventory rather than the quantity, Kesavan recommends that lean, ef-
cient companies with low inventory volunteer more information to ana-
lysts than is required by the Securities and Exchange Commission (SEC).

“Operations is a leading indicator of financial
performance,” Kesavan said.

Kesavan got an early start in retail supply chain while working in his
father’s bookstore in India. He recommended selections to customers,
worked the cash register and picked up shipments from the distributor.
He acquired experience in sales, logistics and transportation, albeit on
a small scale, before heading off to college. He then spent several
years developing supply-chain software for businesses before com-
pleting his doctorate in technology and operations management at
Harvard Business School.

Kesavan is building on his model. His initial research shows that inven-
tory contains information to predict future earnings per share and that
creating portfolios based on inventory levels produces abnormally high
returns compared to the market.

“We show that inventory predicts sales, earnings and stock market
returns for retailers,” he said. “So, understanding a retailer’s inventory
is like gazing into the crystal ball to learn what the future holds for that
retailer.”

The SEC does not require firms to report the age of inventory, but a
company could provide details to show that it has managed its
inventory well. Kesavan cautions companies that hold too much
inventory. He expects Wall Street will pay increasingly greater attention
to inventory. And with growth drying up for many retailers, their prof-
lability has come under increased scrutiny. Examining how retailers
manage inventory will be a part of that assessment.

Key take-aways
+ Balance sheet inventory is subjective and does not tell
the whole story. Look beyond past sales to learn how
they were generated.
+ Expect Wall Street to increase scrutiny of retailers’ inventory
levels. Lack of discipline in managing inventory levels
will get penalized.
+ Lean inventory firms should volunteer more information
than is required by the SEC to Wall Street until analysts
gasp the true value of low-inventory operations.

Correctly valuing a public retailer’s inventory affects the
company’s share value.

+ Too much inventory and analysts are likely to be overly
optimistic about the store’s value.
+ Too little inventory and analysts are likely to undervalue
the company, scaring off investors and depressing the
share price.

Most Wall Street analysts ignore the very important nuances of inven-
tory, but operations is a leading indicator of financial performance.
Kesavan contends. A large inventory could indicate a robust company
but holds the potential for a large write-off down the line, whereas a
small efficient could be the mark of a struggling company or signal a
lean, efficient operation. Arguably, a retailer’s most important asset is
merchandise inventory. Managing this critical asset predicts how well
the retailer will do financially.

Kesavan and his colleagues used publicly available data from public
retailers to build the econometric model. He implemented his meth-
odological idea through simultaneous equation models, which have
been used in economics for decades, most commonly in supply and
demand applications. His model captured the way sales, inventory and
margin moved for a given retailer. The result allowed him to accurately
predict a company’s sales and diagnose some instances where retail-
ers were carrying too much or too little inventory. Along the way, Kesa-
van uncovered a systematic bias by equity analysts who did not take
the correct valuation of inventory into account.

Retailers have two levers to pull in affecting sales: the amount of inven-
tory they carry in stores and the price they can charge for it. Increasing
the amount of inventory in stores could increase sales. Dropping prices
also could drive sales. Traditional forecasting models looked at sales
trends in the past. But past performance isn’t always a good predictor
of future sales. For instance, a retailer who plays short-term gains by
boosting inventory or dropping prices to boost sales may not be able
to repeat that performance in the next quarter or year without carrying
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Challenging Accounting “Rules of Thumb”
Developing more accurate costing systems

For decades, business schools taught costing heuristics to management accounting students. But those “rules of thumb” went untested until accounting professor Eva Labro took on the task. Her findings give practical guidance on developing accurate costing systems.

“We’re testing heuristics that people have simply taken to be true before,” Labro said. “Management accountants have to make down-to-earth decisions when they design costing systems. They want to provide the most accurate information in a cost-efficient way. The reaction I get to my research is that this is the kind of thing they are waiting to learn.”

To offer ways to translate vague guidance into implementable methods, Labro collaborated with Ramji Balakrishnan of the University of Iowa and Stephen Hansen of George Washington University. They are waiting to learn.”

To test the rules of thumb taught about costing systems, Labro ran computer simulations of a large variety of true production environments, called benchmark systems, to learn when certain heuristics perform well.

She varied the parameters of the environment, such as whether costs were dispersed across many costs pools or concentrated in a few large ones. Then she simulated costing system approximations of the true benchmark that follow the rules of thumb under study. She calibrated the simulations using data from case studies. “Running the simulations produced generalizable results, so we can teach our students in a much more refined way when these heuristics will hold and when they won’t,” Labro said.

Labro’s simulations revealed that different environments call for different rules. Size-based rules work best for companies with more than 70 percent of their costs falling into 20 percent of their cost pools. For instance, a firm in the service sector where staff resources make up a huge part of total cost would do well to follow size-based rules.

In contrast, a distribution firm would be better off following correlation-based rules. It would have a variety of products brought in from different vendors and use multiple resources (such as packaging materials, vehicles and gas) without one standing out as the main resource.

Labro’s research takes into account the information demands of different heuristics. Implementing a size-based rule requires data only on resource costs (usually available in accounting records). Correlation-based rules, in contrast, are information intensive because they require information on resource consumption patterns—information that might be costly, if not impossible, to collect. However, Labro found that correlation-based rules perform well even when the precision of available correlation information is low. Crude estimates of correlations in consumption patterns (for example, merely knowing whether the correlation is greater than 0.4) appear to be sufficient to implement correlation-based rules effectively.

After separating out the highest cost categories, management accountants need to decide what to do with the remaining small-value resources. Sometimes a small-value resource is placed in the same pool as a large-value resource, based on the rule of thumb that both resources are consumed in a similar way by product. For example, labor supervision might be sufficiently similar to labor to be pooled in that category. Alternatively, it could remain in a miscellaneous cost pool together with other small-value resources.

Labro found that management accountants worried unnecessarily about having a large miscellaneous pool of small-value resources. Her simulations revealed that having a large miscellaneous overhead cost pool outperformed adding small resources to the larger pools (as when adding labor supervision to the labor cost pool), even when the miscellaneous overhead accounted for 50 percent of the total costs. In addition, pooling all small-value resources together in a miscellaneous pool is considerably less time- and labor-intensive than sorting through the miscellaneous pool and re-categorizing the small-value resources.

That finding alone can save businesses significant spending on consulting. “More information always seems better, but it comes at a cost,” Labro said. “It’s much harder to figure out which resource could potentially go with which large pool rather than throwing them all together. Consultants charge a lot of money to do those kinds of detailed costing-system designs. But it turns out there are some simple ways of designing systems that are pretty accurate.”

“If a simple heuristic performs better or not a lot worse than something highly complicated and costly,” Labro said, “then it may be better to go with the simple heuristic.”

Labro’s next project is to determine how often costing systems need to be updated. A costing system is a snapshot of what resource consumption looks like at a point in time. But management decisions about reducing costs and altering the product or service mix turn product costs into a continually evolving picture. Making updates costs time, talent and, often, consulting fees. Labro will look at which changes are important enough to warrant an update and how much impact a minor change has on the information used to make management decisions.

Labro wants to make sure that when her students learn a rule of thumb that they can count on its accuracy.

Eva Labro is an associate professor of accounting at UNC Kenan-Flagler.

Key take-aways

+ Size-based rules perform better than correlation-based rules when few resources account for a majority of the costs.

+ Group small-value resources into one miscellaneous overhead cost pool rather than distribute them over larger pools.

+ Correlation-based rules perform well, even when the precision of available correlation information is low.
ERP: Plan for a Balancing Act

Why companies struggle and how to succeed

“Maybe the resistance is innovation in disguise,” Segars said.

“Through our research, managers are able to describe, using financial metrics, exactly where they are along that W,” Segars said. “It could tell you, before you spent the first dollar, what a good project looked like, you could set forth some managerial strategy to get to the swoosh, not the W.”

Segars and Chatterjee do just that in their paper “Navigating for Success in ERP Driven Organizational Transformation,” which The Wall Street Journal/MIT Sloan Management Review featured. They studied 50 large-scale ERP projects over 10 years. They tracked the amount of money invested in the project and the productivity gained. Over and over, Segars saw the W curve. After recovering from the initial expense, companies descended into a trough as separate divisions customized the new system to their own databases. “Things get out of control on that third leg and become counterproductive,” he said. “Companies spend money for no return.”

Computer systems and software eat up a large part of a company’s operating expenses. A change in that area is not undertaken capriciously and stems from a managerial leadership issue, which is a much deeper and more complex change problem than just installing a piece of software, Segars said. As such, executives must present the ERP as a change in the organizational way of doing things.

“Change the organization, and then apply the technology,” Segars said. “Don’t expect the technology to lead the change. That’s the job of company leaders.”

And don’t ignore the resistance that leads to the third leg of the W, Segars said.

“Everyone wants to be productive. Nothing is more frustrating for people than not to be able to do their job,” he said. Resistance might mean that some aspects of the new system might be less efficient than the old way of doing things. The best systems “should work the way you work, rather than cause you to work in a different way,” he said. Executives should look at what should be preserved from the old system and discarded from the new system.

Results of his research with Debabrata Chatterjee of the University of Georgia surprised him: Large, established successful companies had a harder time with ERP than younger companies with more potential than profit. And challenges with these changes were systemic and followed a predictable path.

An ERP project usually refers to software that integrates all of a company’s activities on a single computer network. The idea is to eliminate duplicate processes that cost the company money through their inefficiency. For example, installing a plug-n-play application that lets each department tap into one vendor’s online ordering system is more efficient than building and maintaining a different procurement system for each department.

Plotted on a graph, the return on investment of a successful ERP should describe a curve that looks like the Nike “swoosh.” Initially, after building and installing a new system, the cost savings are low compared to the dollars spent. But as workers become more adept at the new technology and new way of doing things, the efficiency kicks in, and productivity and cost savings rise quickly.

But in many successful, established companies, the curve looks like a “W”—an expected initial steep decline in productivity, followed by an increase in productivity and savings. Then the curve plummets as divisions customize the system to return to the way they used to do things. To see the gain in efficiency again, leaders must convince division heads to resume working together for the betterment of the company, not their individual departments.

In most businesses, 20 percent of the processes drive 80 percent of the activities. Segars recommends that, rather than instituting wholesale change for the sake of change, companies unify shared processes across divisions while respecting what is unique about each department.

Recognize that bad processes benefit somebody. To distinguish between resistance to change that interferes with methods benefiting the firm as a whole and ways of doing business that benefit only one segment, look for paradoxical results and pay attention to incentives. For instance, a company that increased its marketing spending saw fewer sales. Executives looked at the way the sales force was compensated and realized that they were inadvertently giving sales reps incentives to not bring back data to the company about what was happening in the marketplace.

“Everyone wants to be productive. Nothing is more frustrating for people than not to be able to do their job,” he said. Resistance might mean that some aspects of the new system might be less efficient than the old way of doing things. The best systems “should work the way you work, rather than cause you to work in a different way,” he said. Executives should look at what should be preserved from the old system and discarded from the new system.
Aerotropolis Expert Wins Bullard Research Impact Award

John D. Kasarda received the third annual Bullard Research Impact Award in recognition of the broad impact of his research on his field, as well as on industry and society. He is the Kenan Distinguished Professor of Strategy and Entrepreneurship and director of the Frank Hawkins Kenan Institute of Private Enterprise.

Kasarda is the leading developer of the aerotropolis concept, which defines how aviation and airports shape business location, urban competitiveness and economic growth. *Time* featured the concept as one of “10 ideas that will change the world.”

Kasarda has published more than 100 articles and nine books. His new book, “Aerotropolis: The Way We’ll Live Next”, with Greg Lindsay, is a unique resource that “comprehensively explains the enormous effects modern aviation has on cities and countries around the world,” according to Frederick W. Smith, FedEx Corporation chairman, president and CEO.

Kasarda shares his expertise with top media around the world and at executive programs for multinational companies. He chairs the annual Airport Cities World Conference and Exhibition and advises airports worldwide.

The Bullard Research Impact Award was created by the generosity of Clif Bullard (BSBA ’76), CEO of Bullard Restaurant Group and Iroquois Bio-Energy Company LLC. Bullard established it in 2009 to inspire and provide incentives for faculty to consider impact on the business world as they choose research topics and communicate their results.