Editorial: A final farewell
Marks, Robert E
Australian Journal of Management; Aug 2010; 35, 2; ProQuest Central
pg. 115

AUSTRALIAN
SCHOOL OF BUSINESS™
THE UNIVERSITY OF NEW SOUTH WALES

Editorial: A final farewell

Australian Journal of Management
35(2) 115–117
© The Author(s) 2010
Reprints and permissions: sagepub.
co.uk/journalsPermissions.nav
DOI: 10.1177/0312896210370077
http://aum.sagepub.com

The papers

Teams, or committees, are pervasive in organizations. The past 30 years or so have seen an increasing focus by management researchers on team performance, compared with individual performance, which has found, we are told, that teams learn faster, work more strategically, and respond better to changes in incentives than do individuals. There is no reason, in a management journal, to belabour the importance of understanding how teams learn and perform.

The first paper in this issue, by a team itself—Heaney, Foster, Gregor, O'Neill, and Wood (2010)—compares the performance of individuals with that of two-person teams undertaking an electronic share-trading task that is similar to trading on European and Australian stock markets. As a general rule, we know from prior research that trader profits are negatively related to the amount of trader activity, and positively related to trader confidence. Earlier work had considered differences in risk-adjusted returns to professional investment (mutual) funds, and found no significant difference in returns between funds with single investment managers and those with two or more managers, although individual managers appeared to have a slightly wider range of returns than did team managers.

Team Heaney do not undertake an econometric exercise. Instead, they generate data from laboratory experiments, using subjects from a first-year undergraduate finance course. They, too, report finding no evidence of a difference in trading profits between individual and team traders, but they do find that the teams' profit volatility is more sensitive to trading activity than is individuals' profit volatility. They also find that team trading profit is positively related to attitude, and negatively related to perceptions of the difficulty of the task. Moreover, overall team trading activity is found to be negatively related to members' views of other team members' abilities. The advantage of experimental research over econometric analysis is that experimenters can control experimental parameters, such as information flows, budget constraints, institutional protocols, etc. The results of the research by team Heaney begin to reveal the many correlations that team behaviour and performance exhibit when subjects undertake complex tasks such as share trading.

Agency theory argues that there is an inherent divergence of interests between the managers and owners of firms. In the face of this, without perfect contracts, corporate governance structures are devised to increase the likelihood that managers pursue actions in the best interests of the shareholders in all possible states of the world. If successful, better governance should result in better corporate performance. Attempts to measure such a positive governance–performance relation have been unsuccessful, because, argue Schultz, Tan, and Walsh (2010) in the second paper of the issue, previous testing procedures have been unable to control for the three possible forms of endogeneity: simultaneity (simultaneously determining the firm's governance structure and its performance), dynamic endogeneity (that the firm's governance structure is a consequence of past performance), and unobserved endogeneity (unobservable individual firm effects that may have a constant influence on the firm's performance). The authors illustrate the impact of endogeneity on the governance–performance relation in a controlled experiment, using various econometric

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

techniques. Earlier techniques do find a causal relation, but when the authors use a technique that is robust to these three sources of endogeneity they find no causal relation. This demonstrates, they argue, that previously measured significant relations were the result of spurious correlations.

In the past two years, dramatically increasing rates of volatility (as measured by, for instance, the Chicago Board Options Exchange Volatility Index, or ViX, a popular measure of the implied volatility of S&P 500 index options) were a clear sign of turmoil in the relevant financial markets. But past research into forecasting volatility in such markets has been unable to resolve the question of which volatility-forecasting method is best. Wang (2010), in the third paper, examines volatilities in three significant markets (the S&P 500 index market, the 30-year US Treasury-bond futures market, and the Eurodollar futures market), using a market-based, option-pricing error approach. His results support the use of implied volatility as a proxy for market volatility.

Away from the fat-tailed behaviour of financial markets in 2007 and, especially, 2008, analysts have been concerned with violations of market efficiency, known as 'anomalies', perhaps influenced by firm 'size' (market capitalization), 'value' (scaled-price-ratio effects, or price-to-earnings ratios), and 'momentum' (one-year lagged returns). Since, in real time, investors do not know in advance which variables (or combinations of variables) would be useful in predicting next-period returns, researchers have asked whether such investors would have discussed the above three effects to be useful predictors, the so-called 'out-of-sample' simulation approach. In the fourth paper in the issue, Bartens and Hassan (2010) make the first application of this approach to a non-US data set, using data on South African financial instruments from 1987 to 2004.

Although they find in-sample predictability, they also find that this does not readily translate to profitable opportunities in real time. This, they argue, might be explained by unstable relationships between momentum, size, and scaled-price ratio effects in a cross-section of common stocks, given lack of understanding on the investor's point of how these effects vary with changes in economic states. Expect further studies on these anomalies.

In the MBA course I used to lead, Business Ethics, we would discuss the possibility of cultural standards for ethics, that different societies have different ideas of where to draw the line between right and wrong. While it is true that some concepts— honesty, fairness, compassion, and integrity—are universally acknowledged as descriptions of ethical behaviour, and so provide aspirations to be sought, there are differences at the margin. For instance, in China the concept of guanxi (or network of personal relationships) results in the exchange of small gifts, which are not seen to be attempts to buy inappropriate behaviour through bribery.

In the fifth and final paper in this issue, Gao (2010) reports a study that examines the effect of 'mimetic isomorphism'—the phenomenon whereby, through imitation of other units, the units in a population come to resemble each other when all face some exogenous conditions in common—on the conduct of bribery amongst Chinese firms (private and state-owned) suitably defined. Gao's sample includes 132 'business graduates' in three Chinese universities. The study tests their questionnaire results for five hypotheses, controlling for the legal system, legal sanctions, government interventions, firm size, and firm ownership. He finds that the more intense the market competition, the more likely a firm to bribe, which is also the case the greater the perceived benefit from bribery (although the perceived benefit appears to have no effect on mimetic isomorphism). But he finds that mimetic isomorphism does play a part in bribery in China, although perhaps independent of the perceived benefit.

Housekeeping

It was Dame Nellie Melba who gave her final farewell recital many times. Although not in her league—this is only my second farewell editorial—I have, nonetheless, farewelled readers before.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.

But this is it. In July I will have handed over to a new Editor in Chief, Baljit Sidhu, the current Area Editor in Accounting (I am writing this in March). There is a certain symmetry in Baljit's editorship: the first editor of the *Journal*, appointed in early 1976, was Ray Ball, an accountant who came to the new Australian Graduate School of Management (AGSM) from the University of Chicago, and is now the Sidney Davidson Professor of Accounting back at Chicago. He was recently celebrated with an honorary degree here at the University of New South Wales.

Baljit has been the Area Editor in Accounting here at the *Journal* for eight years, and has shown herself to be a firm friend of the *Journal*, not least in the efforts that culminated in the recent announcement of the Australian Research Council's journal rankings, as part of its Excellence in Research in Australia (ERA) initiative; the draft ranking, in late 2008, classified the *Journal* as a 'B' journal, but the final rankings, of February 2010, gave it an 'A' ranking. Thank you to those friends of the *Journal* who helped us achieve this.

This is the second issue of the *Journal* to appear under the imprint of SAGE Publications. I wish to thank Caroline Lock and her colleagues at SAGE for the smooth transition. Earlier this year, the SAGE ScholarOne Manuscript site for online submissions to the *Journal* was launched. All future submissions should be directed to http://mc.manuscriptcentral.com/ajm Work in progress—papers in the reviewing pipeline—will not be transferred to the new platform.

Keen-eyed readers will note a new Area Editor for Strategy—Salih Ozdemir, who was appointed after Michael Ryall returned to the US from the Melbourne Business School, and finally relinquished his editorship. Although we have not published many contributions in strategy, we continue to welcome good submissions in this field. Welcome to Salih.

Because there was only a single issue in 2009 (volume 34), we are postponing consideration of papers for the E. Yetton Award for best paper in the *Journal* until the December issue has been published. All papers published in 2009 and 2010, volumes 34 and 35, will be eligible for the next E. Yetton Award.

Finally, I wish to thank all those who have helped us to produce an excellent journal over the almost 13 years of my editorship (and my earlier 13 years as Economics Area Editor): successive deans of the AGSM and the Australian School of Business, the many associate editors in the various disciplines, the small army of reviewers at institutions around the world, and not least the people in the back office: the late Pat Hillary, Eryl Brady, Fiona Barrat (née Reay), Sandra Hoey, Linda Camilleri, Sussanne Nottage, Kristie Clemow, Günther Feuereisen, James Murty and others.

Thank you all.

References

Bartens R, Hassan S (2010) Value, size and momentum portfolios in real time: The cross-section of South African stocks. *Australian Journal of Management* 35(2).

Gao Y (2010) Mimetic isomorphism, market competition, perceived benefit and bribery of firm in transitional China. *Australian Journal of Management* 35(2).

Heaney R, Foster FD, Gregor S, et al. (2010) Are two heads better than one? An experiment with novice share traders. *Australian Journal of Management* 35(2).

Schultz EL, Tan DT, and Walsh KD (2010) Endogeneity and the corporate governance–performance relation. *Australian Journal of Management* 35(2).

Wang K (2010) Forecasting volatilities in equity, bond and money markets: A market-based approach. *Australian Journal of Management* 35(2).

Robert E. Marks
General Editor

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.