

Next steps

Questions, metrics, data, designs

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Measuring outcomes: the case of the “shareholder value” fad



- Assertion: the market price of a financial instrument represents the best estimate of the future income flows associated with its ownership (the “efficient market hypothesis”)
- M. Jensen (1988) on EMH: “No proposition in any of the sciences is better documented”
- Efficient markets and social welfare:
 - Firms maximize social welfare by maximizing profits
 - Share price is the best indicator of sustainable profitability
 - ∴ firms maximize social welfare by maximizing share price

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Shareholder value pre- and post-bubble



1999

- “We exist to create value for our share owners on a long-term basis by building a business that enhances The Coca-Cola Company’s trademarks.”
- “Sara Lee Corporation’s mission is to build leadership brands in consumer packaged goods markets around the world. Our primary purpose is to create long-term stockholder value.”

2005

- “The Coca-Cola Company exists to benefit and refresh everyone who is touched by our business.”
- “Sara Lee Corporation’s mission as a company is to feed, clothe and care for consumers and their families the world over.”

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What *innovations* are grants supposed to produce?



- Contributions to basic knowledge
 - Simple measures
 - # of publications
 - Impactful publications (weighted by ISI count)
 - More complicated measures
 - Publications relative to comparable (but unfunded) peers
 - Publications that draw on more diverse prior work and are cited by more diverse later works
- Contributions to applied knowledge
 - All of the above, but with patents

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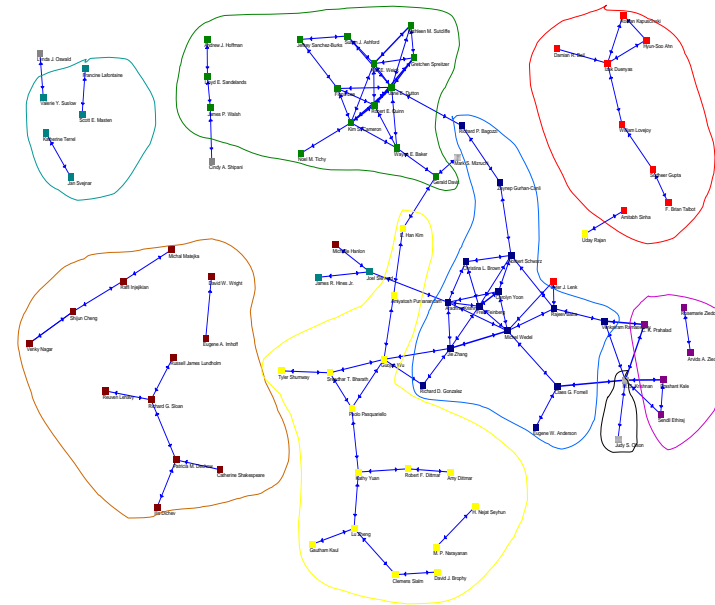
How does one measure innovation? A parable



- Multidisciplinary project funded by an anonymous science foundation
- Central research question: “How does physical architecture shape collaboration networks and innovation in scientific and industrial settings?”
- Collaborators included PIs in Architecture, Business, Information, and Sociology

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B-school co-author network



Management
Finance
Operations
Marketing
Strategy
Accounting
Economics
Law
IT

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A real-world application: “Name your innovations”



- Research site #2: environmental office of multinational manufacturer
- Asked to name the office’s most important innovations, interviewees listed:
 - Process to turn chemical fumes into fuel
 - Low-energy method of purifying factory wastewater
 - Lobbying technique for dealing with state legislators
 - Method for valuing carbon credits traded on Chicago exchange
- How to commensurate such diverse outcomes?

A task for us: how to measure “impact” and “innovation”?



- Transformative knowledge?
- Policy and practice?
- Capacity-building (for students; for faculty; for institution)?
- Cooperative science (vs. competitive)?
- Legitimacy due to NSF imprimatur?
- **Pat K’s challenge: What are the best possible outcomes 5 years out?**

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