





2015

# The Year in Ideas

From social media to the grocery store to the corner office and all the way to the stratosphere, the research and entrepreneurial adventures HBS faculty, doctoral students, and alumni undertook this year have changed the way we understand and operate in the business world—and beyond.

**PLUS:** Alumni experts on what big ideas we'll see in 2016.

BY JULIA HANNA, CHRISTINE LEJEUNE, DAN MORRELL, AND APRIL WHITE

ILLUSTRATIONS BY MARTIN LEON BARRETO



### Balloons Are the Future of Internet Access

The experiment started with weather balloons attached to Styrofoam beer coolers, each with a wireless router inside. It was proof of concept for an ambitious endeavor called Project Loon, headed by Google VP **Mike Cassidy (MBA 1991)**: to provide continuous Internet access to the planet's unconnected billions through, in Cassidy's words, a "complex choreography where thousands of balloons are being steered and programmed all in an automated fashion." The wind-blown balloons float in the stratosphere carrying wireless communication technology that works with the same cellular spectrums that telecommunications companies use. Since that first experiment four years ago, Project Loon has improved balloon steerability, connectivity, and stamina—the balloons now have a lifespan of four to five months. This year, Cassidy announced plans to roll out the program commercially in 2016 and to put all of Sri Lanka online through Project Loon.

## Young Entrepreneurs Should Invest in Young Entrepreneurs

The NextGen Angels are all under 45, and most are entrepreneurs themselves. That's the angel group's pitch to startups: We know what you are going through, and we can help. Founded in 2012 in Washington, DC, by **Dan Mindus (MBA 2008)**, the group of more than 90 has become one of the most active tech investors in that city, providing financing and networking opportunities to young companies, such as on-demand flower delivery startup UrbanStems, cofounded by **Ajay Kori (MBA 2011)**. This year, the NextGen Angels, led by president **Brett Gibson (MBA 2011)**, has invested further in its big idea: launching angel groups in New York (run by **Kelsey Morgan [MBA 2011]**), Chicago, Boston, and Austin, growing to more than 400 members, and raising an initial round of financing from its own members to fund future expansion.

## BYO Bags Lead to Indulgences

What's in Assistant Professor **Uma Karmarkar's** grocery bags? It may depend on if she's carrying reusable bags. In a series of experiments, Karmarkar and a fellow researcher found that when customers bring their own bags, they are more likely to buy organic products—and more likely to indulge in treats. Why? "You did something good for the environment," Karmarkar says, "so you can have a cookie."

## It's Time to Democratize the SATs

It was easy to believe Bill Gates in 2012 when he predicted that **Sal Khan's (MBA 2003)** 2006 startup, Khan Academy, would have an "incalculable" impact on education. At that point, Khan had already published hundreds of free YouTube video tutorials, teaching millions of people a month everything from algebra to astrophysics. Turns out, that was just the beginning of Khan's impact: He recently joined forces with the College Board—producers of the SAT—to create informed, online test prep through Khan Academy. Free, accessible coaching, Khan reasons, will help "level the playing field"—giving every student, everywhere access to elite-level SAT coaching.

## Americans Are Ready for GMO Produce

J.R. Simplot's White Russet is unique among potatoes: The flesh doesn't brown when exposed to air and it resists bruising. For consumers, that means increased convenience—potatoes can be prepped in advance—and reduced food waste. The White Russet marketing campaign is unique, too. When the company introduced the potatoes into supermarkets last summer, the packaging boldly advertised the potatoes' qualities, achieved through the controversial technology of genetic modification.

## Stop Collaborating

Collaboration is useful when collecting information on a problem, Assistant Professor **Ethan Bernstein** and his fellow researchers found, but it can be detrimental in solving the problem, leading people to a consensus before all the solutions are explored.

## The Crowd Is as Wise as the Experts

With data from the crowdfunding site Kickstarter, Associate Professor **Ramana Nanda** and his colleague asked: Did the crowd choose to fund the same theater projects that expert judges would have? The answer: yes, and then some. "Our findings highlight the wisdom of crowds," Nanda says.

Genetically modified foods, also known as GMOs, are a confusing topic for consumers. In the United States, 95 percent of the soybeans and 85 percent of the corn grown is genetically modified. Yet many of the country's large food brands have earned accolades for recent decisions to eliminate GMOs from their supply chain.

It was into this market that **Haven Baker (MBA 2009)**, Simplot's VP of plant sciences, launched the first direct-to-consumer produce acknowledged to be genetically modified since the short-lived Flavr Savr tomato, introduced more than 20 years ago.

The decision was driven by the economics of bringing a value-added product to consumers, Baker says of the marketing of the White Russet. The fresh market would place the most value on its science-enhanced attributes. "We have good data that says when people hear the story, when they hear there's a sustainability benefit, when they hear there are potato genes in our potato, we get a positive reaction."

The company has seen that positive reaction in practice: The 800-million-pound test crop of White Russets sold out in just weeks.

## There Are Hidden Costs in Layoffs

Professor **Sandra Sucher** is determined to reinvent layoffs, which can have negative consequences for the company as well as the laid-off employees. Her research has found that poorly handled layoffs can result in a reduction in work quality, a slowdown in innovation, poor service to customers, damage to the company's reputation, and the departure of talented employees who were not laid off.

### NEXT YEAR IN IDEAS

## Startups

"Trend number one: Everybody will be an entrepreneur. Your Uber driver is an entrepreneur; your Airbnb host is an entrepreneur; your Etsy crafts person is an entrepreneur. Because of technology, individuals don't need to work for a company, and the cost of entry is just plain easier.

"Number two: Everything at the core of our society is getting disrupted. This generation of people and businesses are finding that the two things we love most in the world—cars and cash in our pockets—are totally optional. By 2017 people will be disrupting the disrupters, because the world is changing so fast.

"Number three: Entrepreneurship is no longer just about founders who have ideas. It's also about a movement of people away from jobs where they're not sure they are innovating to jobs at startups where they can be entrepreneurial."

—**Diane Hessian (MBA 1977)**, CEO, Startup Institute

## NEXT YEAR IN IDEAS

# Content Creation

“Content is king, but whose content will trump?”

“I believe 2016 will show more brands owning their own destinies by becoming content creators. As competition rises for both share of mind and time and as mobile viewership deepens, the most nimble creators will move from a mobile-first to a mobile-only approach.

“The strongest brands will continue to do what they do best—superserve their audiences—but the native advertising model will meaningfully challenge the existing, archaic advertising model, forcing the whole industry to innovate to be more immersive. I’ll be keeping a close eye on how Instagram’s and Snapchat’s advertising models evolve.

“Finally, 2016 will be the year that social commerce takes off. I only hope my wallet can withstand the usage!”

—**Laura Lee (MBA 2003)**, president of media and chief digital officer, Margaritaville Enterprises

## Working Mothers Are Good for Children

Daughters of employed mothers are more successful at work than daughters of stay-at-home moms, and sons whose mothers were employed spend more time caring for family members, a much-cited working paper by Professor **Kathleen McGinn, Elizabeth Long Lingo (PhD 2005)**, and their coauthor found.

## We Need an Alternative to the Rap Sheet

**Darrell Huntsman (MBA 1998)** founded the Corrective Education Company with a twofold mission: provide shoplifters an alternative to the criminal justice system and reduce the cost associated with prosecuting a relatively minor crime.

Here’s how it works: When a shoplifter is apprehended, no one calls the police. Instead, the offender is offered the opportunity to voluntarily enroll in an online program that helps him or her to fully understand the consequences of shoplifting and to make better choices in the future. The expense (about \$320) is borne by the offender, although financial assistance is available to those who qualify. “Cost should not be a factor—we want as many individuals to take advantage of our program as possible,” Huntsman says.

To that end, CEC partnered with D.A.R.E., a non-profit known for its youth-oriented antidrug and anti-violence outreach, to create a program designed especially for juvenile offenders. “The core of our business is based on reducing recidivism and giving first-time offenders, particularly our youth, a second chance at righting their wrongs,” says Huntsman. And there’s the bottom line to consider as well. “All told, it can cost our communities anywhere from \$2,000 to \$5,000 to prosecute someone for stealing a \$20 T-shirt—yet there needs to be some consequences for breaking the law.”

“Crime and incarceration will continue to be pressing societal issues,” Huntsman adds. “I am proud that CEC is a part of the solution.”

## Upgrades Make You Careless

There’s a reason why you broke your iPhone—again—say **Silvia Bellezza (DBA 2015)** and Professor **Francesca Gino**. They report that people neglect possessions when they know there is a newer version available to them.

## An Increase in Workplace Prestige Can Be Bad

Don’t break out the bubbly when a change in business policy results in an increase in your prestige. Associate Professor **Tsedal Neeley** and her colleague discovered that “unearned status gains” can cause problems in the workplace, creating feelings of guilt and insecurity.

## A ‘Better’ Idea May Not Have a Better Chance of Success

In her research, Assistant Professor **Pian Shu** and her colleagues found that evaluations of early-stage startup ideas in R&D-intensive fields are likely to correctly predict the success of the firm, but that the same is not true in non-R&D-intensive sectors. Why? Perhaps because success in sectors like consumer software relies less heavily on the initial idea, Shu suggests.

## No One Likes the Humblebrag

Doctoral student **Ovul Sezer** would be justified in saying, “I just can’t get any work done; the media keeps calling about my last study.” But she knows better. That working paper, coauthored with HBS faculty, dissected the humblebrag, finding that “bragging masked by a complaint” makes you less likable, and isn’t effective in highlighting the very thing you hoped to promote.

## The Health Care Sector Needs More Than Innovation

What the health care sector needs most, HBS’s Health Care Initiative said with the debut of Harvard’s Health Acceleration Challenge, is widespread adoption of the numerous innovations that already exist. The challenge identifies and supports the wider dissemination of proven medical innovations.

## The On-Demand Economy Doesn’t Have to Run on Contract Workers

**Jessica Beck** and **Marcela Sapone (both MBA 2015)** launched the automated “personal butler” service Hello Alfred in a crowded on-demand marketplace. The service corrals other on-demand services, offering customers both a single, simple portal and an actual human being to manage everything from cleaning to prescription pickup. But one of the biggest innovations was behind the scenes: Beck and Sapone eschewed the independent contract workers driving the on-demand economy in favor of hiring employees—full-time employees, with benefits.

“In the beginning, when we were pitching this to VCs, they thought we were crazy,” Sapone says. There was the increase in cost structure and concerns about scalability. “But these are people we’re sending to your home to take care of you: *They* are our product.” Providing steady jobs, she says, is a matter of principle that is also good business: Investing in employees keeps churn rates down and distinguishes Hello Alfred in a moment when quantity of transactions often wins out over quality of service.

“If we serve our employees well, then the users will be happy,” Sapone says. “We built a business model around that.” With upwards of 100 employees and more than \$12 million in funding, Hello Alfred is showing that there’s life—and money—in the on-demand economy beyond the Uber model.



## You Should Be Living in a Tiny House

Tiny houses are mobile. They're ecofriendly. They're affordable—on average, just \$23,000. So how do you take the tiny house movement mainstream? With Getaway, **Jon Staff's (HBS 2016)** new startup that aims to turn the tiny-curious into believers via beautiful, rentable tiny vacation homes. The business emerged from the Millennial Housing Lab—another Staff project—with a mission to “develop and realize fresh housing ideas for a new generation.” And it's not just for millennials. “We're talking about people who care about work-life balance, who are willing to pay for experiences over things. That appeal is broad-based.”



**Etiquette—Not English—Is the True Language of Business**

No matter what language negotiations are conducted in, understanding the local etiquette can seal the business deal, says **Sara Jane Ho (MBA 2012)**. A graduate of a Swiss finishing school, Ho founded Institute Sarita in Beijing to teach the increasingly important art of Western etiquette to Chinese women. But when she received an email from a Cisco executive seeking instruction in Chinese etiquette, Ho thought it was a joke. She hadn't considered that Westerners were as unschooled in the intricacies of a Chinese banquet as Chinese were at a Western one. This year, Institute Sarita expanded to a second school in Shanghai; Western businesspeople and diplomats account for 10 percent of the growing business. "When you have the knowledge and you know the protocol, then you have the confidence to focus on things that really matter—like negotiating that deal," says Ho.