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# INSEAD Insights: September 2023 Research Picks



By [Lily Fang](#) , INSEAD

**Recent findings on online marketplace dynamics, new market creation, trust in AI, diversity in corporate boards and consumer choices.**

Five new research papers by INSEAD faculty shed light on designing online auctions for sponsored products, the creation of novel markets, trust and artificial intelligence (AI), social diversity in corporate boards and the relationship between quality and satisfaction when it comes to consumer choices.

## **1. The problem of designing auctions for sponsored products**

Online marketplaces, such as Amazon, Alibaba, Google Shopping and JD.com, allow sellers to promote their products by charging them for the right to be displayed on top of organic search results. In this paper published in *Management Science*, INSEAD's [Antoine Désir](#) and his co-author [Santiago R. Balseiro](#) (Columbia University) study the problem of designing

auctions for sponsored products and highlight some new challenges emerging from the interplay of two unique features: substitution effects and information asymmetry.

The presence of substitution effects implies that the probability a seller is chosen depends on the range of sellers they are displayed alongside. Additionally, sellers may hold private information about how their own products match consumers' interests, which the platform can extract to make better assortment decisions.

[Read the full paper](#)

## **2. Three avenues of innovation for creating new markets**

In this paper published in *Strategy & Leadership*, [W. Chan Kim](#) and [Renée Mauborgne](#), co-directors of the [INSEAD Blue Ocean Strategy Institute](#), present a holistic picture of the three paths to new market creation. Furthermore, they explain what leads to one form of market creation over another, and outline how each path yields a different balance between disruptive and nondisruptive growth.

They found that what triggers one type of market-creating innovation over another comes down to the type of problem or opportunity an organisation sets out to address. Offering a breakthrough solution to an industry's existing problem is the path to disruptive creation and disruptive growth. Identifying and solving a brand-new problem or seizing a brand-new opportunity outside existing industry boundaries sets an organisation on the path to "nondisruptive creation" and nondisruptive growth.

Between these two ends of the market-innovation spectrum is redefining an existing industry problem and then solving the redefined problem. This is the essence of blue ocean strategy, which generates a more balanced blend of disruptive and nondisruptive growth.

[Read the full paper](#)

## **3. AI, trust and perceptions of agency**

Modern AI technologies based on deep-learning architectures are often perceived as agentic to varying degrees – typically as more agentic than other technologies but less than humans. In this paper, conditionally

accepted at the *Academy of Management Review*, INSEAD's [Phanish Puranam](#) and his co-author [Bart Vanneste](#) of University College London explore how different levels of perceived agency of AI affect human trust in the AI.

They investigate three mechanisms. First, a more agentic seeming AI (and its designer) will appear more able to execute relevant tasks, and therefore seem more trustworthy. Second, the more agentic seeming the AI, the greater the importance of trustworthiness perceptions about the AI relative to those about its designer. Third, because of betrayal aversion, the anticipated psychological cost of the AI violating trust increases with how agentic it seems to be. These mechanisms imply, perhaps counterintuitively, that making an AI appear more agentic has the potential to both increase or decrease the trust that humans place in it.

[Read the full paper](#)

#### **4. How social diversity in corporate boards can affect firm outcomes**

In this working paper, INSEAD's [Balagopal Vissa](#) and his co-authors\* examine how firm performance is associated with social diversity among corporate directors. Specifically, they focus on diversity of religion and caste, a deep-rooted institution dividing India's Hindu society into hundreds of communities.

To identify directors' social identities, the authors built one of the first data-driven mappings of last names to caste and religion. They found that Indian corporate boards were strikingly homogeneous (i.e. lacking diversity) between 1999 and 2015. They also found that board homogeneity is negatively related to firm performance. These perverse outcomes appear to be due to overlapping views and networks of caste-proximate directors and cronyism impairing their monitoring and advising roles.

\*[Suresh Bhagavatula](#) and [Manaswini Bhalla](#), *Indian Institute of Management Bangalore*, and [Manisha Goel](#), *Pomona College*.

[Read the full paper](#)

## 5. The effect of expectations on how consumers evaluate restaurants

The value derived from hedonic goods is affected by reference effects at the time of consumption, usually in the form of quality standards. Consumption typically involves two steps: First, the consumer chooses a given good from a pool of available choices, and subsequently, the consumer experiences the good and derives a satisfaction from it.

This working paper by [Clara Carrera](#) and [Manuel Sosa](#) of INSEAD and [Victor Martinez de Albeniz](#) of IESE Business School examines this effect in terms of restaurant choices. Surprisingly, for choices of lower quality, they found that satisfaction is not negatively affected as much as one would expect. This is consistent with consumers adjusting their expectations downward and suggests that expectation adjustment protects consumers when they experience a lower-than-reference quality.

[Read the full paper](#)

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