LALLY RESEARCH SYMPOSIUM

Wednesday, May 3rd, 2017
Pittsburgh 5114
The Lally School of Management
Rensselaer Campus
8:30 a.m. – 8:30 p.m.

MGMT50
1963-2013 Rensselaer LALLY SCHOOL OF MANAGEMENT
LALLY RESEARCH SYMPOSIUM

Welcome and Opening Remarks: Dean Begley—8:30am

Session 1: 9:00am-10:30am, Pitts 5114

1) SEARCH ACROSS DUAL LANDSCAPES: THE ROLE OF KNOWLEDGE AND INFORMATION TRANSFER

2) CORPORATE SOCIAL RESPONSIBILITY (CSR) AND THE STOCK PRICE REACTION TO ACCOUNTING RESTATEMENTS

3) THIRD PARTY REACTION TO HEDGE FUND ACTIVISM: AUDITOR’S PERSPECTIVE

Session 2: 10:45am-12:15pm, Pitts 5114

4) SIZE OR BAD DIVERSIFICATION? AN ASSET ALLOCATION PERSPECTIVE ON U.S. BANK SIZE ANOMALIES

5) WHY SHOULD I DONATE? EXAMINING REPUTATION, PEER EFFECT AND POPULARITY EFFECT ON CHARITABLE GIVING OVER SOCIAL MEDIA PLATFORMS

6) TOTAL AND RELATIVE VALUE GAINS IN BUSINESS PROCESS OUTSOURCING

Lunch 12:15 pm-1:30 pm, Fifth Floor Lounge

Session 3: 1:30 pm-3:00 pm, Pitts 5114

7) INVESTOR RELIABILITY AS AN ASSET IN CORPORATE VENTURE CAPITAL UTILIZATION

8) DEBT SPECIALIZATION AND CREDIT DEFAULT SWAPS

9) INCLUSION IS NOT A SLAM DUNK: A STUDY OF DISCRIMINATION IN LEADERSHIP

Session 4: 3:15 pm–4:15 pm, Pitts 5114

10) THE DARK SIDE OF BLOCKHOLDER PHILANTHROPY

11) THE INFORMATION ENVIRONMENT OF THE FIRM AND IPO UNDERPRICING

Coffee Break 4:15 pm – 4:30 pm

Vote for Best Paper

Farewell to Yingda Lu 4:30 pm – 4:45 pm

Award Presentation 4:45 pm – 5:00 pm

Social Hour and Dinner 5:30pm-8:30pm

City Station: Community Room
SEARCH ACROSS DUAL LANDSCAPES: THE ROLE OF KNOWLEDGE AND INFORMATION TRANSFER
Josue Reynoso, Lally School of Management
Shyam Kumar, Professor, Lally School of Management

Abstract: Search can either be defined on a single landscape or across two landscapes (e.g. technology and market), with decision makers utilizing knowledge and information gathered from one landscape to inform search in the second space and vice versa. We extend existing search models and explicitly model search across two landscapes with knowledge and information transfer. In doing so, we are able to investigate questions such as what are the benefits of searching across landscapes; how complementarities among landscapes affect the performance improvement of dual search; what are the costs and benefits of shifting between landscapes; and how different levels of landscape complexity affect search outcomes. We extended the NK landscape model to explore these questions and find that information transfer in dual searches enhances search outcomes by around 9%. The effect is higher in the presence of complementarities, has a U-shaped relationship with the frequency of information transfer between landscapes. We also found a curvilinear moderating effect of landscape complexity on the relationship between information transfer amid landscapes and search outcomes.

CORPORATE SOCIAL RESPONSIBILITY (CSR) AND THE STOCK PRICE REACTION TO ACCOUNTING RESTATEMENTS
Haimeng Teng, Lally School of Management
Bill Francis, Professor, Lally School of Management
Shyam Kumar, Professor, Lally School of Management
Qiang Wu, Professor, Lally School of Management
Yijiang Zhao, American University

Abstract: This paper investigates whether Corporate Social Responsibility (CSR) reduces the value destruction associated with accounting restatement announcement. We find that compared to firms with more CSR concerns, firms with more CSR strengths have significantly less negative announcement stock returns to general and irregularity restatements. The less negative reaction to general restatements by firms with CSR strengths is more pronounced when the restatement disclosure is more visible to investors, and when the CSR activities are more visible to stakeholders. In addition, we find that CSR strengths also mitigate the negative stock price reaction to irregularity restatements for firms with higher information asymmetry. Importantly, we find that firms with higher levels of CSR strengths experience a more negative stock price reaction when they are repeat offenders that have more than one irregularity restatements within the past three years.

THIRD PARTY REACTION TO HEDGE FUND ACTIVISM: AUDITOR’S PERSPECTIVE
Huimin Chen, Lally School of Management
Bill Francis, Professor, Lally School of Management
Qiang Wu, Professor, Lally School of Management
Yinjie Shen, Lally School of Management

Abstract: This paper investigates the relationship between the auditors and the firms that are targeted by hedge fund activists. We provide a unique perspective, that of the auditors, who play an external monitoring role for the hedge fund activists’ target firms. We hypothesize that auditors react to hedge fund activists by charging higher audit fees, concerning about the significant changes and the misstatement risk in the target firms. We find that within two years after targeting, audit fees of the target firms increase by 22.1%. This effect is more pronounced when target firms have financial reporting personnel turnovers or rapid changes in business operation. We find that auditors exert more effort (proxied by audit report lags) in the target firms. The finding is supported by additional tests based on propensity-score matching and difference-in-difference tests.
TOTAL AND RELATIVE VALUE GAINS IN BUSINESS PROCESS OUTSOURCING
Sukruth Suresh, Lally School of Management
T. Ravichandran, Professor, Lally School of Management

Abstract: This study examines the factors that influence the total value created in Business Process Outsourcing (BPO) relationships and the asymmetry in the gains for individual stakeholders (i.e., clients and vendor). We posit that the total value created in BPO is influenced by the nature of the task, specifically the knowledge intensity of the task and its proximity to the client's value chain. In addition, we posit that the client's outsourcing intent, the vendor's experience, and size influence the relative extent to which the stakeholders gain from BPO. Our model is tested using an event study of 214 public announcements of BPO initiatives. We find the knowledge intensity of the task outsourced and the centrality of the task outsourced to influence the total value created for the stakeholders. Additionally, relative to vendors, the clients gained more when outsourcing to experienced and large vendors.

INVESTOR RELIABILITY AS AN ASSET IN CORPORATE VENTURE CAPITAL UTILIZATION
Joseph J. Cabral, Lally School of Management
M.V. Shyam Kumar, Professor, Lally School of Management

Abstract: Unlike internal innovation efforts, the ability to use a corporate venture capital program depends critically on the willingness of others to collaborate with the focal firm. Theorizing from the viewpoint of other "traditional" venture capitalists, we argue and find support for the assertion that a corporate investor's past behavior in terms of not abandoning syndicated investments will be positively associated with their ability to use corporate venture capital investments in the future. Further, we find that the positive impact of past reliability matters more in early rounds of investing and when syndicate size is smaller.

DEBT SPECIALIZATION AND CREDIT DEFAULT SWAPS
James Donato, Lally School of Management

Abstract: Do credit default swaps affect debt structure? I provide evidence that the inception of CDS trading on a firm’s debt is associated with higher debt specialization. My results indicate that firms have greater debt concentration after the onset of CDS trading than before. Additionally, firms are more likely to specialize after CDSs begin trading on a firm’s debt. I argue that CDS firms concentrate debt types as a way to mitigate creditor conflicts and costs in bankruptcy, which is made more likely because of the empty creditor problem. My results are robust to different model specifications and sub-samples.

INCLUSION IS NOT A SLAM DUNK: A STUDY OF DISCRIMINATION IN LEADERSHIP
William Obenauer, Lally School of Management
Nishtha Langer, Professor, Lally School of Management

Abstract: Racial bias continues to act as one of the most thought provoking and controversial topics in our society. Even as organizations implement steps and policies to minimize discriminatory practices, evidence of bias in organizational decision-making persists. While much research has been devoted to the study of racial bias in hiring and promotion decisions, this study focuses on the effect of biases on employment outcomes of leaders after they have been hired or promoted to leadership positions. More specifically, we investigate how discrimination influences subjective evaluations and employment separation decisions pertaining to minority leaders. The study uses archival data from the National Basketball Association collected from the year 2003 to 2012. From this data set, we utilize measures of head coaches’ objective performance, their subjective performance ratings, and their likelihood of employment separation to find evidence that minority leaders are given less time in position to achieve success and that when they do achieve success, they are less likely than White leaders to receive credit for their accomplishments. Our findings suggest that in addition to researching selection processes, understanding why racial minorities are underrepresented in leadership positions also requires insight into the employment outcomes experienced by minority leaders.

THE INFORMATION ENVIRONMENT OF THE FIRM AND IPO UNDERPRICING
Daqi Xin, Lally School of Management
Bill Francis, Professor, Lally School of Management
Thomas Shohfi, Professor, Lally School of Management
Thomas Boulton, Miami University

Abstract: We investigate the effect of one important information source—Wikipedia—on IPO underpricing. We find that when going public, firms with a Wikipedia page have significantly higher IPO underpricing compared to firms without a Wikipedia page. This finding is not consistent with the assumption that additional pre-IPO information necessarily lessens information asymmetry between firms and investors. Textual analysis shows that the divergence of information provided by firm S-1 filings and Wikipedia contributes to higher underpricing. Wikipedia facilitates offer price revision. Moreover, the existence of Wikipedia page is related to higher firm awareness and investor demand.