Coles Seminar Series Spring 2023

KENNESAW STATE UNIVERSITY
COLES COLLEGE OF BUSINESS

JANUARY 27TH, 2023

John Thompson
Clinical Assistant Professor of Economics
Coles College of Business, Kennesaw State University

Topic: *Earning Your CAP: A Comprehensive Analysis of The University of Texas System's Coordinated Admissions Program*

FEBRUARY 3RD, 2023

Zhen Shi
Associate Professor of Finance
J. Mack Robinson College of Business, Georgia State University

Topic: *Volatility Timing Using ETF Options: Evidence From Hedge Funds*

FEBRUARY 17TH, 2023

Daniel Street
Assistant Professor of Accounting
Bucknell University

Topic: *It's About Time: Evidence of a New Strategy Boards Use to Mitigate the Ex Post Settling Up Problem*

MARCH 17TH, 2023

Sergey Lebedev
Assistant Professor of Strategic Management
Michael A. Leven School of Management, Entrepreneurship and Hospitality
Coles College of Business, Kennesaw State University

Topic: *Performance Aspiration and Rent-Seeking*

MARCH 31ST, 2023

Daniel A. Cohen
Frances Hampton Currey Professor of Accounting
Owen School of Management, Vanderbilt University

Topic: *Does Disclosure Prominence Affect Firm Activities? Tax Planning Responses to Tax-Related Disclosure Deregulation*

APRIL 14TH, 2023

Sharon A. Simmons
Associate Professor of Entrepreneurship
Jackson State University

Topic: *Reflective Analysis of Failure and the Performance of Subsequent Ventures: An Application of Experiential Learning Theory*

JANUARY 27TH, 2023

John Thompson
Clinical Assistant Professor of Economics
Coles College of Business, Kennesaw State University

Earning Your CAP: A Comprehensive Analysis of The University of Texas System's Coordinated Admissions Program

ABSTRACT

Access to selective public institutions is an important issue. The competitive application process is the traditional path to gain access to selective public universities, and this path has been studied extensively. However, it is not the only way for students to gain admission to these institutions. We expand upon the scant research regarding alternative pathways to gain access to selective public universities by using a fuzzy regression discontinuity design to study the impact of transferring to The University of Texas at Austin via the Coordinated Admission Plan. We find that gaining access via this path has an impact on students' choice of major, financial aid package, and post-college earnings. These findings suggest that gaining access to The University of Texas at Austin through this alternative pathway is a viable option for students, and appears to improve those students' outcomes relative to their peers at less selective public universities.

FEBRUARY 3RD, 2023

Zhen Shi
Associate Professor of Finance
J. Mack Robinson College of Business, Georgia State University

Volatility Timing Using ETF Options: Evidence from Hedge Funds

ABSTRACT

We find that hedge funds' ETF option positions predict cross-sectional differences in the future volatility of underlying ETFs. The predictive power is strongest for straddle positions and non-equity ETFs. A tracking portfolio of straddles based on funds' straddle positions earns quarterly abnormal returns of 7.35%. Net of fees, funds using ETF straddles deliver lower risk and higher benchmark-adjusted returns than nonusers. We also find that hedge funds' trading in ETF options has a positive impact on ETF option prices and improves price efficiency in individual equity options. We conclude that ETF options are an important venue for informed volatility trading.

FEBRUARY 17TH, 2023

Daniel Street
Assistant Professor of Accounting
Bucknell University

It's About Time: Evidence of a New Strategy Boards Use to Mitigate the Ex Post Settling Up Problem

ABSTRACT

Boards that compensate executives with cash face a costly ex post settling up problem: boards may compensate executives for gains which later fail to be realized. Using a novel linear mixed data sampling (MIDAS) method to exploit the variation in daily stock returns, we provide evidence of techniques that boards use to mitigate the ex post settling up problem. Using stock returns as a proxy for performance, we first show that cash compensation is more sensitive to returns earlier in the year than returns later in the year. Second, we show that while cash compensation is very sensitive to returns around the release of accounting earnings, this sensitivity dissipates over time. Finally, we reexamine the asymmetric sensitivity of compensation to unrealized gains and losses and show that compensation is more sensitive to early period returns for both positive and negative returns. Our findings suggest that boards, in an attempt to mitigate the ex post settling up problem, rely on the passage of time and more heavily weight performance earlier in the year when exercising discretion over cash compensation. In addition to these theoretical contributions, we provide an important methodological improvement for the study of executive compensation: the linear MIDAS model allows us to reject the implicit assumption in the literature that the sensitivity of compensation to returns is time invariant over the course of the compensation period.

MARCH 17TH, 2023

Sergey Lebedev
Assistant Professor of Strategic Management
Michael A. Leven School of Management, Entrepreneurship and Hospitality
Coles College of Business, Kennesaw State University

Performance Aspiration and Rent-Seeking

ABSTRACT

What triggers rent-seeking by firms? Rent-seeking involves unproductive uses of resources to capture and redistribute value without creating new value, thus resulting in a net loss for society. Extending prior research, we explore rent-seeking as a response to performance aspiration levels and performance feedback relative to these aspiration levels. We suggest that rent-seeking may be a strategy of choice to achieve historical aspiration and sustain performance above both historical and social aspirations, but not to achieve higher social aspiration. Applying behavioral theory of the firm and utilizing a novel measure of rent-seeking as patent "evergreening" in the pharmaceutical industry, we hypothesize and find that higher historical aspiration increases rent-seeking, while higher social aspiration decreases rent-seeking. Furthermore, performance above social aspiration facilitates rent-seeking, while no such effect was found for performance above historical aspiration.

MARCH 31ST, 2023

Daniel A. Cohen
Frances Hampton Currey Professor of Accounting
Owen School of Management, Vanderbilt University

Does Disclosure Prominence Affect Firm Activities? Tax Planning Responses to Tax-Related Disclosure Deregulation

ABSTRACT

This study investigates whether disclosure prominence affects firm activities. We exploit a plausibly exogenous shock that reduces the prominence of a tax-related disclosure made by certain Korean firms. We use a difference-in-differences framework to test whether firms' tax planning activities are affected by this disclosure deregulation shock. Consistent with managers responding to the heightened information costs imposed on financial statement users by a reduction in disclosure prominence, we find that affected firms exhibit more tax planning following the change in disclosure prominence relative to unaffected firms. Further, the tax planning effects of disclosure prominence vary with the extent of shareholder information processing costs. Collectively, our findings offer new evidence that disclosure prominence affects firms' activities.

APRIL 14TH, 2023

Sharon A. Simmons
Associate Professor of Entrepreneurship
Jackson State University

Reflective Analysis of Failure and the Performance of Subsequent Ventures: An Application of Experiential Learning Theory

ABSTRACT

Purpose

Learning does not occur automatically and immediately and not every entrepreneur is skilled at undertaking this process. This paper shows that entrepreneurs' reflection as a specific learning behavior in the event of business failure is critical for a better understanding of the relationship between failure experience and the performance of the subsequent firm. We test whether the performance of subsequent ventures are more likely to be higher when entrepreneurs deliberately reflect on their prior business failure. We also test whether changing vision and switching industries weaken the positive effects of an entrepreneur's reflection.

Design/methodology/approach

Our sample is 286 entrepreneurs in Korea who had started subsequent ventures after their business failures. We used moderated hierarchical regression to test the relationship between the reflection on failure and subsequent venture performance and the proposed moderating effects of organizational vision change and industry change.

Findings

To learn from their failures, entrepreneurs reflect on their experiences as part of their process of moving forward with new ventures. There is a positive relationship between the reflection of prior failure and subsequent venture performance. Organizational vision change and industry change negatively moderates the positive relationship.

Originality/value

Individual learning behaviors determine the effectiveness of transferring prior experience into new knowledge. The findings in this paper extend behavioral research on the effects of failure experience on subsequent venture performance, demonstrating that entrepreneur learning behavior is an essential and additional unit of analysis for the research on entrepreneurial failure. The findings also demonstrate that the contexts of organizational vision change and industry change can effect the transfer of knowledge from reflective analysis.