SPRING 2022 ISSUE

ENGAGEMENT INNOVATION IMPACT

CSULB-COLLEGE OF BUSINESS

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PLATFORM SERVICE OFFERING TO BUSINESS CUSTOMERS: STRATEGIC CONSIDERATIONS IN ENGENDERING SELLER USE OF MARKETING TOOLS

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Botao Yang, Marketing
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Many e-commerce platforms provide marketing tools to help their sellers attract customers and enhance user experience. However, there is virtually no theoretical framework or systematic evidence that provides insights to platforms on how their business customers use these marketing tools. In this paper, we develop a theoretical framework and apply it to an empirical setting to understand how business customers choose between two service offerings (paid search and hot shop) provided by an e-commerce platform.

A unique aspect of our modeling framework is that we incorporate two types of heterogeneous strategic considerations in sellers' choice decisions of marketing tools: competitor and consumer reactions. To capture seller consideration of competition, we adapt the cognitive hierarchy framework by modeling sellers' differing abilities to predict how competition affects their decisions. To capture seller consideration of consumer response, we first specify a sales-response model in which sales are affected by the marketing tools used and then incorporate the response parameters in sellers' payoff functions. Our empirical analysis indicates that these two types of strategic considerations are both important. Our estimation results show that, in making decisions on which marketing tool(s) to use, sellers tend to differentiate themselves from the competition.

We also find that sellers with a higher rating tend to be more strategic. This finding provides a useful metric associated with firms' strategic ability, which is often difficult to quantify and helps researchers to test theoretical predictions related to firms' strategic thinking using field data. We perform two comparative statics exercises to derive managerial insights. The first exercise offers a benchmark analysis to help platforms evaluate which targeted promotion strategies are most effective. The second exercise indicates that an increase in seller strategic ability would reduce the overall seller usage of marketing tools, and we offer specific suggestions to help platform managers increase the use of their marketing tools.

CALSHRM STUDENT CASE COMPETITION 2022

On March 11 and 12, 2022, the College of Business at CSULB hosted the annual Human Resource Management Student Case Competition presented by the California division of the Society for Human Resource Management (CalSHRM)!

This year's competition brought together Human Resource (HR) professionals from California and the Long Beach community with over fifty HR students representing nine California universities, including the CSU system, the University of California (UC) system, and beyond.

Ten undergraduate teams and three graduate teams presented their analysis and solutions for this year's case. Four panels of HR professionals judged multiple rounds of case team presentations, challenged them with critical questions, and offered developmental feedback. The case centered on a regional community bank restructuring its remote work practices after the COVID-19 pandemic. Students needed to balance competing concerns for worker flexibility, organizational culture, competitive advantage, and legal protection. We would like to congratulate the undergraduate team from San Diego State University and the graduate team from the University of Southern California for their first-place victories!

Friday evening, the event kicked off with a networking session and keynote talk on building adaptive and effective teams by Amber Vandenburg (Founder of the Pathwayz Group). Students even received a complimentary copy of her newly released book, Uniquely Better!

Throughout Saturday, students attended even more exciting events as they competed. Andrew Hoag (Fisher Phillips in Los Angeles) presented a timely update on impactful California labor laws. Half a dozen HR professionals hosted an hour-long set of roundtables to answer students' questions on everything from technology in HR to beginning their HR careers. In the Saturday keynote session, Terrell Holmes (Founder of The Good Org) discussed the importance of engagement and personal growth in career success. The day concluded with an exciting guided boat tour of the Port of Long Beach around sunset.

CALSHRM STUDENT CASE COMPETITION 2022

We are deeply grateful to our many outstanding sponsors including CalSHRM, our very own Human Resource Advisory Board Beach, the Professional In Human Resources Association (PIHRA), Northern California SHRM, the Santa Barbara Human Resource Association (SBHRA), the Bay Area Human Resources Executive Council (BAHREC), and the College of Business here at CSULB!

DATA SCIENCE HACKATHON

A group of MS Information Systems students won the best presentation award at the Data Science Hackathon 2022.

The group named their team Datafriends (DF). Team members are: Carlie Wade, Eric Lambert, Nguyen Huynh, Stephanie Wells, Moises Patel.

Southern California R User Group hosted a Hackathon competition in April 2022 at the University of California, Irvine for Data Science enthusiasts open to all levels. The teams were given less than two days to explore and extract datasets and deliver a final product which includes data cleansing, analysis, predictions, modeling, insights, and visualizations. All teams were tasked to explore the Government Census data on their website and construct a Problem– Solution format presentation. The teams then presented their analysis and findings to a panel of judges. Data friends chose to explore the problem related to housing and income, limited to southern California. The team utilized variables related to housing income and the number of people per household, etc.

NAVIGATING THE HIDDEN CURRICULUM

COB's Lindsay Sterk, Grad Programs Specialist, completed her Ed.D this Spring 2022! Below is the abstract of Lindsay's dissertation:

The socialization experiences of first-generation master's level graduate students: nagivating the hidden curriculum, upward mobility, and pride and guilt

Recent literature and think tank organizations alike point to the notion that the master's degree is the new bachelor's degree. Additionally, universities are experiencing an increase in first-generation college student enrollment as well as graduate student enrollment. This growth in both student populations raises the question: What happens when first-generation students are on their quest for graduate study? Combining the Weidman-Twale-Stein framework for graduate student socialization with Community Cultural Wealth as a conceptual framework, this qualitative study explored the socialization experiences of first-generation master's-level graduate students, the supports and challenges they experience in their quest for graduate study, and how these experiences influence their sense of belonging and perception of graduate school. Qualitative interviews were conducted with 24 master's-level graduate students at Golden State University (pseudonym), a public four-year institution within the California State University system. Participants expressed both formal and informal socialization experiences occurring amongst their families and friends, within their places of employment, and between classmates and faculty members. Participants experienced interactions and received messages that influenced their sense of belonging and their perceptions of graduate school. Participants cited a variety of personal factors that helped them persist in their programs as well as sentiments of doubt, fear, guilt, and imposter syndrome.

Policy recommendations include institutions establishing where the graduate education is situated within the university, creating mechanisms to balance enrollment, and funding graduate education. Practice-related recommendations include suggestions to increase diversity and representation and improve orientation and culminating activity experiences. Additional research is needed to further close the gap about experiences specific to master's-level graduate students.

GLOBAL FINANCE SYMPOSIUM 2022
BEACHFINRISING
Held Virtually via Zoom

SPRING 2022 FINANCIAL SYMPOSIUM

BeachFinRising, sponsored by the Finance Department of the College of Business at CSULB, once again brought together the students and faculty of California State University, Long Beach, finance industry leaders and the community to discuss current trends, market moves and career opportunities in the field of finance. The event occurred on Friday, March 11, 2022 from 1:00 PM – 4:30 PM. As a virtual symposium, we were quite successful with over 150 attendees.

This Symposium covered the following topics:

Why You Should Not Ignore Fixed Income- Pratik Kothari

Dr. Kothari talked about how Fixed Income should be a part of every portfolio and how it works to bring balance and, oftentimes, safety to a portfolio that is not necessarily available from equity investments alone.

Blockchain Beyond Bitcoin- Harrison Owen

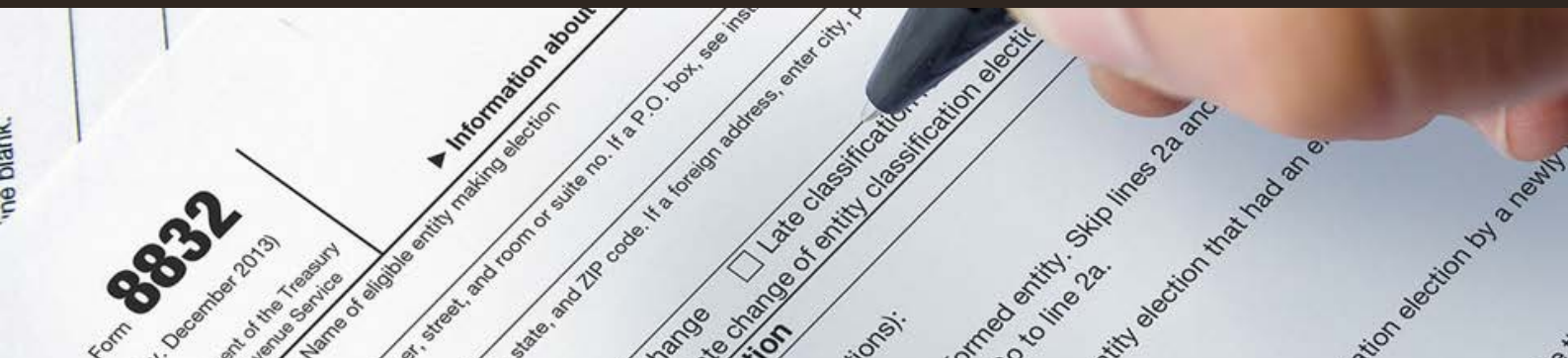
Harrison Owen

Mr. Owen graduated just two years ago and while pursuing his master's degree found an affinity for computers and programming and has since become an expert in Blockchain and NFT's. The purpose of the talk was to explain to the audience what the technology behind Bitcoin is and how it is a game-changer in our financial world.

Careers in Wealth Management – Merlin Micken

Merlin Micken

Mr. Kicken is a repeat speaker with the symposium from TSG Wealth Management and his topic covered his daily working life and he brought along some interns so that the students could ask them some questions about what it is like starting our in the world of Wealth Management.



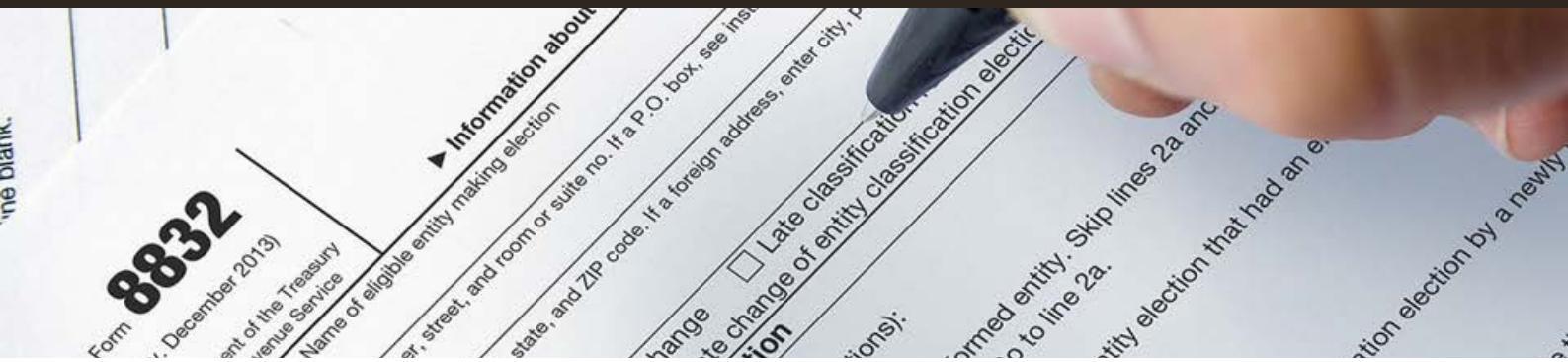
THE EFFECT OF TAX AVOIDANCE ON CAPITAL STRUCTURE CHOICES

Published February 18, 2022
Yoojin Lee, Accountancy
https://doi.org/10.2308/JATA-19-049

In this study, we examine the effects tax avoidance on firms' capital structure decisions. Prior studies focus on the effects of tax avoidance on cost of equity and debt capital. These studies find varying associations between tax avoidance and cost of equity capital but generally find a negative association with cost of debt (e.g. Goh, Lee, Lim and Shevlin 2016; Hasan, Hoi, Wu and Zhang 2014). We extend this literature by focusing on a direct and important consequence of cost of capital effects: capital structure decisions.

Tax avoidance may affect financing decisions in at least two ways. First, tax avoidance may affect the relative costs of equity and debt capital. Tax avoidance may increase future expected cash flows and thereby decrease cost of equity (Goh et al. 2016) However, tax avoidance may engender increased risk which may increase both the cost of equity and debt (Hutchens and Rego 2013); Shevlin, Urcan and Vasvari 2020;) Second, tax avoidance may affect financing due to managerial biases. Survey evidence suggests managers mistakenly focus on GAAP effective tax rates rather than marginal tax rates in making financing choices (Graham, Hanlon, Shevlin and Shroff 2017). If so, managers will issue equity rather than debt as the firm increases tax avoidance because tax avoidance lowers GAAP ETRs, leading managers to (incorrectly) estimate a higher after-tax cost of debt and exhibit a bias towards equity.

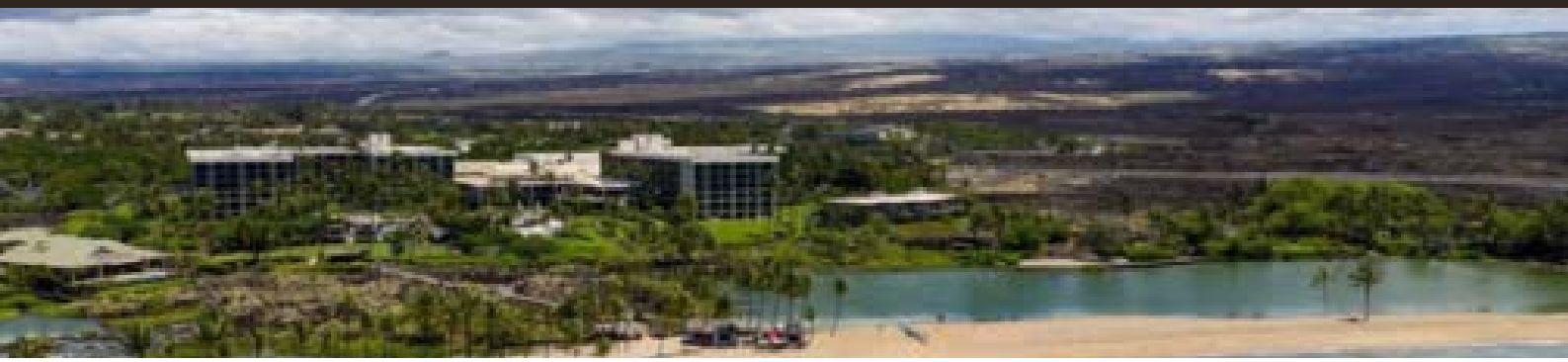
Our main dependent variable captures the propensity to issue equity rather than debt. Our main independent variable is the three-year cash effective tax rate. We use several covariates known to affect tax avoidance based on prior studies. Using logistic regressions, we document positive association between tax avoidance and firms' propensity to issue equity relative to debt after controlling for firms' marginal tax rates. Using path analyses, we find that tax avoidance is 1) positively associated with cost of debt and 2) negatively associated with cost of debt. More importantly, we find that these effects explain the positive association between tax avoidance and the propensity to issue equity rather than debt.



THE EFFECT OF TAX AVOIDANCE ON CAPITAL STRUCTURE CHOICES

Next, we use the 9th Circuit's Xilinx decision in 2010 to mitigate endogeneity concerns. The decision invalidated regulations intended to reduce income shifting, resulting in greater tax avoidance among 9th Circuit firms. We document evidence that Ninth Circuit firms 1) increased tax avoidance following the decision relative to firms in other Circuits and 2) were more likely to issue equity rather than debt following the decision and relative to firms in other Circuits.

Finally, we turn to behavioral effects. We find evidence that one-year GAAP effective tax rates are positively associated with the propensity to issue equity relative to debt. We use an annual GAAP effective tax rate because survey evidence is consistent with managers using the annual GAAP ETR in making capital structure decisions (Graham et al. 2017). Next, we isolate managerial bias towards GAAP ETRs by controlling for permanent, discretionary tax avoidance and continue to continue to find a positive association between GAAP ETRs and the propensity to issue equity relative to debt. Overall, our study contributes to the literature on tax avoidance and cost of capital effects by documenting the way and extent to which these effects affect capital structure, an important firm outcome. Moreover, we extend the literature on tax rates and corporate finance by documenting the financing consequences of managerial focus on GAAP ETRs instead of marginal tax rates.



WDSI ANNUAL MEETING 2022

Dr. Pia Gupta, Program Chair, WDSI 2022, Big Island Hawaii, wdsinet.org

Western Decision Sciences Institute (WDSI) is a regional division of Decision Sciences Institute that brings together academics and professionals from multiple disciplines (such as business, MIS, education, supply chain, military applications) to share information and research at its annual conference.

WDSI held its 50th annual conference from April 5-8, 2022 at the Waikoloa Beach Marriott on the beautiful Big Island in Hawaii. Over the last 50 years, WDSI members have made significant contributions in research, teaching, and practice, impacting many disciplines. This landmark year continued that tradition with over 200 registered presenters, more than 250 attendees, and 450 authors. The Golden Anniversary celebrations were held on the conference banquet night, during which attendees and their guests were greeted with Hawaiian leis and enjoyed a sunset luau overlooking the beautiful Anaehoomalu Bay, accompanied by a buffet of traditional Hawaiian dishes. This year was even more exciting because we gathered after a two-year hiatus caused by the COVID-19 pandemic. With the worst of the pandemic behind us, the occasion allowed our members to reflect upon and celebrate their past accomplishments, renew friendships, and extend their networks.

WDSI

WESTERN DECISION SCIENCES INSTITUTE

USE OF CORPORATE DISCLOSURES TO IDENTIFY THE STAGE OF BLOCKCHAIN ADOPTION

Published April 23, 2021
Victor Xiaoqi Wang, Accountancy
https://doi.org/10.2308/HORIZONS-19-101

Blockchain is a transformative technology that has profound impacts on a wide spectrum of firms, industries, and professions. While its transformative effect is widely accepted, there is a great divergence in views as to when blockchain will become mainstream. Some believe that mass adoption of this technology is only five to ten years away. Others contend that we may be dealing with a much longer adoption cycle, which can span 20 to 50 years. Still others argue that a foundational technology like blockchain will eventually become an integral part of our economic and social infrastructure, except that this process can take decades.

There is no systematic study in the extant literature that can help resolve this divergence in views. In this study, we provide an answer to this debate by using corporate disclosures to identify the current stage of blockchain on its adoption cycle. Prior studies observed that adopter distributions of a new technology tend to follow a bell-shaped curve over time. Rogers (1995) divides the bell-shaped distribution cycle into five stages, namely, innovators, early adopters, early majority, late majority, and laggards. When the adoption cycle enters the early majority stage, then the technology starts to become mainstream.

Knowing the stage of blockchain adoption is important for many stakeholders. For example, this information allows potential blockchain adopters to better assess the implementation risks involved and the duration over which they can gain a competitive advantage from adoption. Suppliers of blockchain technology can benefit from this knowledge by calibrating their strategies for larger economic gains from related products and services. This information is also useful to regulators, which can introduce appropriate regulations that can facilitate the healthy development of the new technology according to its stage.

To identify the current stage of blockchain adoption, we turn to corporate disclosures because they directly reveal blockchain-related decisions, plans, and intents of corporate executives. We parsed millions of corporate filings to identify companies that disclosed their adoption of blockchain technology. By

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examining the distribution of new adopting firms over time, we find evidence suggesting that blockchain is at the early adopter stage. We further analyze the contents of blockchain-related disclosures using an unsupervised machine learning algorithm, i.e., LDA topic modelling. This additional analysis suggests that companies increasingly adopt blockchain for managing their business processes rather than for its capability for cryptocurrency mining. To triangulate our findings, we use other data that can shed light on the stage of adoption, e.g., Google search volume, number of news articles, and number of book titles related to blockchain. Analyses using these data provide consistent evidence.

Our study makes a few important contributions. First, we provide evidence indicating that blockchain technology is at the early adopters stage. This finding can benefit the many stakeholders mentioned earlier in making better decisions. Second, we contribute to the disclosure literature by demonstrating the potential for the use of corporate disclosures to answer interesting and important questions beyond traditional topics in accounting and finance. Third, we come up with a new approach for identifying the stage of technology adoption. Using corporate disclosures that are publicly available, our approach can be easily applied to the identification of adoption stages for other emerging technologies.

CEO FACIAL MASCULINITY, FRAUD, AN ESG: EVIDENCE FROM SOUTH KOREA

Published May 28, 2022
Hojong Shin, Finance
https://doi.org/10.1016/j.ememar.2022.100917

According to recent development in finance, accounting, and management literature, one increasingly crucial biological trait is facial masculinity among males proxied by the facial width-to-height ratio (fWHR, hereafter), the bizygomatic width divided by the distance between the midpoint of inner eyebrows and upper lip. Some researchers find that fWHR is related to testosterone, a male hormone that drives a person to take risks aggressively in search of social dominance and that stimulates cheekbone prominence since puberty.

Interestingly, researchers find that CEOs' facial masculinity has a dual impact on corporate outcomes like a double-edged sword. For example, firms led by masculine faced (i.e., high fWHR) CEOs outperform in terms of returns on assets (ROA) due to their strong achievement drive. On the other hand, researchers find that masculine faced CEOs are more likely to engage in intentional fraudulent activities such as financial misreporting and option backdating. In this study, we investigate whether masculine faced CEOs are more likely to engage in corporate fraud and whether the firms with higher environmental, social, and governance (ESG) scores are better in reducing the adverse impact aggressive achievement drive of the CEOs.

Using a sample of 9,049 firm-year observations in South Korea from 1998 to 2015, we find that CEO facial masculinity is positively correlated with the likelihood of corporate fraud. For example, a one-standard-deviation increase in CEO facial masculinity is associated with a three-times-higher frequency of corporate fraud cases. We also find similar patterns for each specific type of corporate fraud: embezzlement, collusion, and tax evasion. The control variables include firms' financial and accounting features as well as CEOs' characteristics such as ages, educational background, and ownership.

We also conduct conditional analyses to verify further the relationship between masculine faced CEOs and committing corporate fraud. ESG-oriented firms may focus on long-term value instead of short-term oriented risky projects. Hence, CEOs in ESG-oriented firms may be less likely to commit fraud, even if they are masculine-faced. Consistent with our anticipation, we find that masculine faced CEOs

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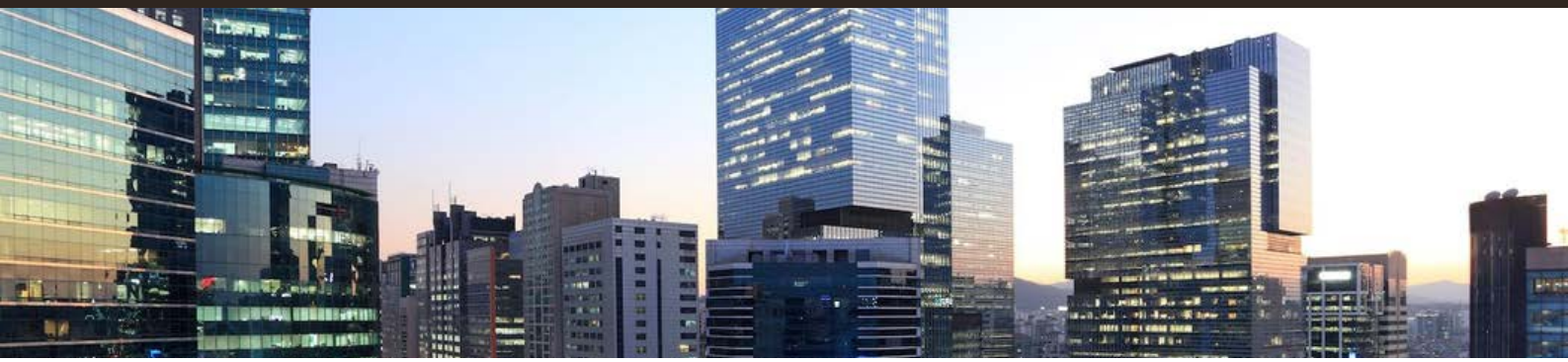
are less likely to commit fraud in firms that voluntarily disclose sustainability reports. In addition, we find that the positive association between CEO facial masculinity and the likelihood of corporate fraud is weaker in the firms with stronger economic incentive mechanisms, such as stock options and low cash holdings.

First, this paper contributes to the growing literature on the facial cues of CEOs and corporate financial outcomes. Our study contributes to the literature by revealing the positive relation between CEO facial masculinity and the specific type of corporate fraud (embezzlement, collusion, and tax evasion) in the Korean (Asian) context. In addition, our study contributes to the literature on behavioral corporate finance by suggesting CEOs' achievement drive, proxied by their masculine faces, as another characteristic that creates managerial discrepancies. A battery of robustness checks supports our view that masculine faced CEOs are distinguished from overconfident CEOs.

Finally, our findings also contribute to the literature on governance mechanisms and corporate fraud. This study contributes to the literature by providing empirical evidence that a well-designed ESG practice can help prevent corporate fraud using international data. Specifically, the ESG mechanism, such as economic incentives of stock options and the Sustainability Report that forces the management to take care of long-term stakeholder values instead of short-term shareholder value, could be effective in curbing the aggressiveness of CEOs with potentially excessive achievement drive. Further, efficiently managing cash holdings may disentangle masculine faced CEOs from fraud. Our study suggests that firms with masculine faced CEOs need to pay particular attention to their ESG metrics.



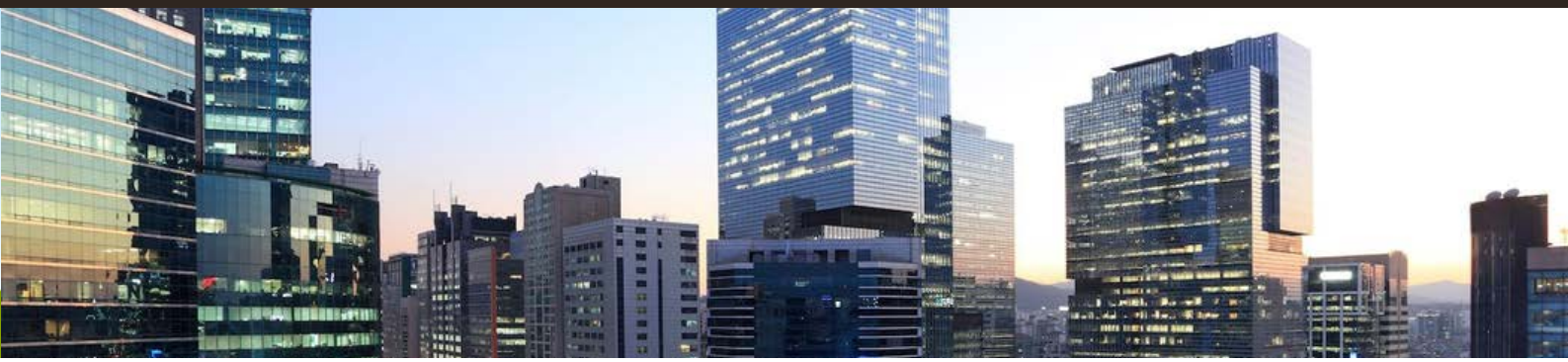
FAMILY FEUD: SUCCESSION TOURNAMENTS AND RISK-TAKING IN FAMILY FIRMS

Hojong Shin, Finance
Asia-pacific Journal of Financial Studies (2022), forthcoming

We examine whether succession tournaments inside the controlling family create risk-taking incentives among the heirs of a family firm. Specifically, we focus on family compositions (number of sons, daughters, and sons-in-law) and identify succession as a novel determinant of risk-taking in family firms. While this paper takes a special situation in Korea as its empirical setup, sibling rivalry is a widespread phenomenon among human families.

Using a panel of firms within the Korean family business groups known as chaebols and detailed information on their family trees and marital histories in the 1983–2004 period, we find significantly higher cash flow volatility in the member firms of a family business group when its controlling family has multiple sons in the generation immediately following the current chair's generation. Firms controlled by a family with more than two sons have a 2.2% higher cash flow volatility before a succession than those controlled by a family with a single son or no sons. In contrast, the number of daughters and sons-in-law in a chaebol's controlling family has no significant impact on cash flow volatility around successions.

Next, we also examine the performance consequences of the risks taken by chaebol families. Consistent with the notion that excess risk-taking destroys value in the short run, we find that firm performance (measured by ROA and operating income scaled by total assets) is weaker before the succession than after the succession is completed. The effect is also more pronounced in chaebols whose families have more than two sons. Changes in ROA (i.e., the increase in ROA after succession is completed) are 5.3% larger for firms controlled by a family with multiple sons in the chair+1 generation, compared to firms controlled by a family with a single son, or with none in that generation. That is, the depression in ROA during the pre-succession period is more severe for firms with multiple contestants in their succession tournaments.



FAMILY FEUD: SUCCESSION TOURNAMENTS AND RISK-TAKING IN FAMILY FIRMS

We further investigate whether the positive relation between the number of succession contestants (i.e., the number of adult sons) and firm volatility is causal using two events: the sudden death of a Hyundai chairman and a change in inheritance law. In the first test, we use the unexpected suicide of a Hyundai Group chairman in his fifth year in office. Using this exogenous shock to Hyundai's succession tournament, which suddenly reopened to the deceased chair's old rivals – i.e., his brothers – we confirm that increased competition (more adult male succession contenders) leads to greater risk-taking.

In the second causal test, we exploit regulatory changes in Korean inheritance law, which strongly favored the eldest son before a 1991 amendment, which requires the family estate to be equally distributed to all of the deceased's descendants, regardless of their gender, birth order, and marital status. With this payoff equality in cash flow rights among the succession contestants, the heirs' incentive to take risks weakens, because the result of winning or losing the succession tournament is less extreme. We indeed find that the change in cash flow volatility before and after the succession becomes much weaker following the 1991 Korean inheritance law change.

First, our work contributes to the literature on succession in family firms. We propose the corporate risk implications of family firm succession as an important background risk of family-run organizations around the world. Second, our work also relates to the gender and corporate finance literature. Our work shows the importance of gender within a family in explaining corporate risk-taking outcomes: daughters are crucial to mitigating risk-taking incentives in tournaments. Last, we also apply messages from the tournament and risk-taking literature to the family firm literature. Based on theories on tournaments and risk-taking, we show that different gender mix of descendants within a controlling family has an interesting risk implication on family-run organizations.