Spears School of Business – FY 2012 Research Abstracts

SCHOOL OF ACCOUNTING

Do PCAOB Inspection Reports Influence Corporate Executives' Perceptions of Audit Quality and the Likelihood of Switching Auditors?

The primary tool that the Public Company Accounting Oversight Board (PCAOB) uses to improve financial statement users' perceptions of audit quality is audit firm inspections (Goelzer 2004, 2005), which result in publicly-available reports that describe audit deficiencies identified by the PCAOB as well as audit firm responses. We investigate the effects of these reports on perceived audit quality and auditor switching in an experiment in which 133 corporate executives considered various firm response patterns across multiple inspection reports. Overall, PCAOB inspections decrease perceived audit quality, which increases the likelihood that executives will consider switching auditors. For some response patterns, we find no change in perceived audit quality, and we find no evidence of an increase in perceived audit quality. We conclude that PCAOB inspections do not improve perceptions of audit quality and can have unintended consequences for the audit services market. We offer implications for audit policy and research.

Sponsor: Oklahoma State University
PI/PDs: Chad Stefaniak
The University of North Texas: Jesse Robertson
The University of Alabama: Richard Houston

A Summary of Research on External Auditor Reliance on the Internal Audit Function

PCAOB Auditing Standard No. 5 (AS5) allows external auditors (EAs) to rely on the internal audit function (IAF) when the internal audit activities meet certain criteria and the EAs would find efficiencies in relying on their work (PCAOB 2007). This paper reviews the recent literature on the EAs' reliance on IAF, identifies gaps in the literature, and proposes a series a research questions aimed at closing these gaps. We focus our review on recent research pertaining to how environmental factors and IAF-specific factors influence initial EAs reliance decisions, the nature and extent of EAs reliance on IAF, and the observable outcomes as a result of EAs' reliance decisions. Our review finds that the environment in which EAs must make a reliance decision is complex – involving several factors that must be considered simultaneously. Moreover, an evolving set of auditing standards introduces, several necessary intermediary judgments that the EAs must process before, and during, reliance on the IAF. In addition, our review indicates that we continue to know very little about *how*, and to what extent, EAs are currently evaluating IAFs' quality factors. Similarly, while we find that the nature and extent of EAs reliance on IAF is influenced by account risk, inherent risk, and IAF sourcing, *how* the EAs choose task environments (e.g., revenue recognition versus payroll) and the types of tests to be relied upon within these task environments is not completely understood. Finally, we find that there is a paucity of research concerning the effects of EAs' reliance on IAF in terms of external audit quality impacts – we encourage researchers to focus on this area in particular.

Sponsor: Oklahoma State University
PI/PDs: Chad Stefaniak
Northeastern University: Charles Bame-Aldred
Auburn University: Duane Brandon
University of Nevada–Las Vegas: William Messier
University of Wisconsin: Larry Rittenberg

Audit Committee Financial Expertise: An Examination of Financial Reporting Timeliness and Perceived Reliability

We investigate audit committee (AC) directors' accounting financial expertise and its association with audit report lag (ARL) and earnings announcement lag (EAL). We find that AC accounting financial expertise is negatively associated with ARL and EAL. However, as earnings announcements are released earlier, the potential exists that perceived earnings reliability could be negatively affected (Bronson et al. 2011). Accordingly, we also investigate whether the market's response to early-announced, unexpected earnings is conditioned on AC accounting financial expertise. We find that the market's response to an early announcement of unexpected earnings is positively related to the AC's accounting financial expertise. Our results support our hypotheses and suggest that AC accounting financial expertise helps improve AC effectiveness by improving both the timeliness and perceived reliability of financial information.

Sponsor: Oklahoma State University

PI/PDs: John Abernathy, Brooke Beyer, Chad Stefaniak

The University of Kansas: Adi Masli

Audit Partner Disclosure: Potential Implications for Investor Reaction and Auditor Independence

We explore potential, unanticipated, effects of a proposed PCAOB standard that would require disclosure of the external audit partner's identity in the audit report. We examine how investors might react to partner disclosure and explore potential ramifications for audit partners' reputations, incentives and independence. Specifically, we propose that: 1) partner name disclosure will fuse the individual partner's reputation with the audit client; 2) this reputation fusing may shift partners' incentive structures; and, 3) an incentive structure shift has implications for audit partner independence and audit/financial reporting quality. We present experimental evidence to provide support for our first proposition. Specifically, we manipulate the presence or absence of partner disclosure and whether the audit report was modified to reduce investor reaction to partner disclosure. We present experienced investor participants with summary information on several investment options and find that prospective investors are less likely to invest in a peer firm linked to a restating firm via partner disclosure. Contrary to our expectation, the audit report modification language does not appear to alleviate this effect. We perform additional analyses to examine why (and which) investors react this way to partner disclosure. Finally, we provide conclusions that should be of interest to the PCAOB, academics, investors, other regulators, and auditors.

Sponsor: Oklahoma State University

PI/PDs: Chad Stefaniak

University of Massachusetts–Amherst: Tamara Lambert

Georgia State University: Benjamin Luippold

Investigating the Effects of Post-Audit Review Salience on Auditor Judgments: A Comparative Analysis of Audit Planning Decisions Resulting from PCAOB Inspections and Internal Quality Reviews

This paper reports the results of a study that investigates the effects of PCAOB inspection (inspection) and internal quality review (IQR) salience on auditors' audit planning decisions. Fifty-four experienced auditors participated in a 1 x 3 between-subjects experiment in which the salience of a post-audit review is manipulated as inspection salient, IQR salient, or no post-audit review salient. Using the Houston et al. (2005) model, we predict that auditors will increase audit effort and fees for engagements where a post-audit review is salient, but that the effect of post-audit review salience on audit fees will be mediated by its influence on substantive testing effort. Further we hypothesize that high post-audit review salience will result in more conservative accounting estimates. Consistent with our predictions, we find that post-audit review salience significantly increases both substantive testing and audit fees,

and that the effect on audit fees is mediated by substantive testing. Interestingly, while auditors increase audit effort in high post-audit review salience conditions, we do not find that auditors significantly modify their valuations of subjective estimations. This study provides initial evidence as to the impacts of inspections and IQRs on auditor planning decisions, variables thus far not considered in the accounting literature. It also provides initial evidence and understanding of whether, and how, auditors pass post-audit review costs along to clients. Finally, Given Houston and Stefaniak's (2009) findings that the majority of auditors try to anticipate the audits that will be subject to post-audit reviews, we interpret our findings to indicate a potential impact of the inspection and IQR processes. That is, that inspections and IQRs might not be capturing a true sample of an engagement team's performance and effort levels.
Sponsor: Oklahoma State University
PI/PDs: Chad Stefaniak
The University of Alabama: Richard Houston

The Effect of End-of-Engagement Deadline Pressure on Auditor-Client Negotiations: A Comparison of Auditors and CFOs
This study compares auditors' and CFOs' negotiation judgments and considers the potential differential impact the end of the audit ("end-of-engagement" pressure) has on each party. We examine magnitude differences between auditors' and CFOs' concessionary judgments, evaluating whether deadline pressure affects auditor concessions to a greater extent than it does CFO concessions. Prior negotiation research has evaluated the impact of deadline pressures on the negotiation process and suggests that individuals change their behaviors as deadline pressure increases (i.e., less time in which to conduct a negotiation) to increase the probability of reaching an agreement. However, in an audit context, there are asymmetric consequences for failing to reach an agreement and different negotiation tactics used by the different parties, potentially leading to differing levels of concessions. When deadline pressure increases, a party intending on using contentious tactics and a nonconceeding negotiation strategy may become more concessionary in his/her behavior, due to the lack of time needed to employ such a strategy during the negotiation. Consistent with expectations, our results suggest that CFOs concede more than auditors in general; however, auditors are more reactive to deadline pressure by increasing concessions when faced with high deadline pressure, while CFOs are not. Consistent with theory, when deadline pressure is high, auditors are less likely to use contentious tactics, while CFOs are unaffected by deadline pressure. These results suggest that characteristics of the unique auditor/client negotiation environment, such as deadline pressures, have potentially differential effects on both parties due to the differing negotiation strategies employed by these parties.
Sponsor: Oklahoma State University
PI/PDs: Chad Stefaniak
University of Massachusetts–Amherst: Bradley Bennett
The University of Alabama: Richard Hatfield

An Examination of the Cost of Capital Implications of FIN 46
We examine the cost of capital impact of Financial Interpretation (FIN) 46. Using a sample of firms that recognized or disclosed individual VIEs as a result of FIN 46, we examine changes in firms' cost of capital around the adoption of the standard. We find firms with VIEs experienced changes in cost of capital relative to firms in their industries that did not participate in VIEs. We further find that the individual type of VIE and firm-specific financial statement impact of FIN 46 affect the cost of equity capital.
Sponsors: Oklahoma State University, University of Memphis, California State University–Long Beach
PI/PDs: Angela Wheeler Spencer

University of Memphis: Carolyn Callahan
California State University–Long Beach: Rodney Smith

The Valuation and Reliability Implications of FIN 46 for Synthetic Lease Liabilities
We examine whether adoption of Financial Interpretation (FIN) 46 changed the market valuation and related measurement reliability of synthetic lease liabilities. We find that the market places greater weight on synthetic lease obligations recognized within the body of the financial statements than it does liabilities disclosed within the associated notes. We further document that this valuation difference is associated with reliability shifts following adoption of the standard.
Sponsors: Oklahoma State University, University of Memphis, California State University–Long Beach
PI/PDs: Angela Wheeler Spencer
University of Memphis: Carolyn Callahan
California State University–Long Beach: Rodney Smith

Do Major Customer Relationships Enhance the Performance of Strategic Alliances in High Tech Industries?
This study examines the impact of major customer relationships on high-tech firms' financial performance over the period 1988 to 2004. We categorize firms into partnering and non-partnering groups based on whether the firm reports a major customer relationship under FAS 14 (superseded by FAS 131) and subdivide the partnering firms sub-sample based on whether those firms also announced alliances. We find little evidence that either partnership arrangement improves operating performance, although before entering partnerships, partnering firms tend to perform better than non-partnering firms. When firms with major customer relationships discontinue those relationships, operating performance worsens regardless of alliance status.
Sponsors: Oklahoma State University, University of Memphis, California State University–Long Beach
PI/PDs: Angela Wheeler Spencer
University of Memphis: Carolyn M. Callahan
California State University–Long Beach: Rod Smith

Risk Implications of Increased Off-Balance Sheet Disclosure: The Case of FIN 46 and SOX
This study investigates the impact of increased disclosures required by Financial Interpretation No. 46 (FIN 46) *Consolidation of Variable Interest Entities* and the Sarbanes-Oxley Act of 2002 (SOX). Our results indicate that the maximum risk disclosures required under FIN 46 were only marginally priced, although pricing differences exist across type of VIE and whether the structure was ultimately consolidated. Further, while all firms experienced decreases in idiosyncratic risk around this time of increasing regulatory scrutiny, only the off-balance sheet disclosures required by FIN 46 appear to have significantly altered firm idiosyncratic risk beyond the general provisions of SOX.
Sponsors: Oklahoma State University, University of Memphis
PI/PDs: Angela Wheeler Spencer
University of Memphis: Carolyn M. Callahan

Operating Leases: A Descriptive Analysis
Given recent Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) discussions, firms likely face a new lease accounting standard which will eliminate off-book treatment of operating leases. We provide a comprehensive analysis of operating lease activity over the last 35 years and estimate likely effects of capitalization of currently off-book operating leases. Of particular importance, our analysis highlights characteristics of lessee firms which indicate the overall

economic implications of the proposed change may prove greater than estimates of increases in assets and liabilities alone suggest.
Sponsors: Oklahoma State University, Mississippi State University
PI/PDs: Angela Wheeler Spencer
Mississippi State University: Zach Webb

Fundamental Analysis of Firm Performance Following Strategic Alliance Announcements
We examine whether accounting-based fundamental analysis can predict long-term market performance in a strategic alliance context. From information disclosed in alliance announcements and other context-specific information, we develop an alliance score (ASCORE) which helps to explain differences in future returns. We also document that—based on short-term market reactions—the market does not in general correctly predict long-term performance for firms participating in alliances. These results suggest that prior research that focuses on the short-term reaction to alliance announcements may overstate the benefits of alliances from a general perspective.
Sponsors: Oklahoma State University, University of Memphis, California State University–Long Beach
PI/PDs: Angela Wheeler Spencer
University of Memphis: Carolyn Callahan
California State University–Long Beach: Rodney Smith

The Impact of Opaque Financing Structure on the Value Relevance of Fair Value Information
This study investigates the relationship between opaque firm structure created by use of special purpose vehicles (SPVs) and fair value reporting. We find that SPV use alters the value relevance of amounts reported at fair value. Our evidence indicates that the negative valuation effect of SPVs compounds uncertainty surrounding Level 3 amounts (firm-generated measures) but is offset (at least in part) by the transparency of those reported at Levels 1 and 2, both of which are based on observable inputs.
Sponsors: Oklahoma State University, University of Memphis
PI/PDs: Angela Spencer, Robert Yu
University of Memphis: Carolyn Callahan

Changing Standards for Leases: What Lessees Need to Know
The article addresses recent FASB/IASB decisions regarding operating leases and discusses analysis applicable to lessee firms that will be affected by the forthcoming standard.
Sponsors: Oklahoma State University, Mississippi State University
PI/PDs: Angela Wheeler Spencer, Monika Turek
Mississippi State University: Zach Webb

Influence of Leadership Positions on Internal Controls and Reported Fraud in Religious Organizations
This study examines the extent to which various church leadership positions influence the presence of internal controls and the reported rate of fraud in religious institutions.
Sponsor: State of Oklahoma
PI/PDs: Robert Cornell, Carol Johnson, Bill Schwartz

Enhancing Student Experiential Learning with Structured Interviews
This research studies the use of structured interviews for creating low-anxiety experiential activities for business students.
Sponsor: State of Oklahoma
PI/PDs: Robert Cornell, Carol Johnson, Bill Schwartz

Creditor Rights, Organized Labor, and Government Intervention

The US Government's intervention in Chrysler LLC's bankruptcy resulted in secured creditors receiving substantially less than the face value of their claims. In contrast, an unsecured creditor, the UAW, received substantial cash, notes, and equity in exchange for their claims. In this study, we examine the capital market consequences of the Government's action in the Chrysler bankruptcy. Using two alternative measures of the cost of debt, including changes in spreads on new loans and bond returns around key Chrysler bankruptcy events, we provide evidence consistent with an increase in borrowing costs for firms that are seen to have weakened creditor rights as a result of the precedent set in the Chrysler bankruptcy. Our findings underscore the potential costs of government actions that increase uncertainty about the enforcement of creditor rights and the impact the government can have on the contracting relationship between labor and other firm stakeholders.

Sponsors: Oklahoma State University, University of Toronto, University of New South Wales
PI/PDs: Bradley Blaylock
University of Toronto: Alexander Edwards
University of New South Wales: Jared Stanfield

The Association between Book-Tax Conformity and Earnings Management

There is an ongoing debate in the literature about the costs and benefits of conforming book and taxable income in the US. Proponents argue that increased book-tax conformity will reduce aggressive financial reporting because managing earnings up increases taxes and will curtail abusive tax shelters because managing taxes down decreases earnings reported to shareholders. We use a panel of 141,389 firm-year observations across 35 countries over the period 1996-2007 to test whether high levels of book-tax conformity are associated with less earnings management and find that higher book-tax conformity is associated with generally more, not less earnings management. We conclude that one of the primary claimed benefits of increasing book-tax conformity in the US, more truthful financial reporting with less earnings management, is unlikely to be as large as previously thought.

Sponsors: Oklahoma State University; Nanyang Technological University; University of California, Irvine
PI/PDs: Bradley Blaylock
Nanyang Technological University: Fabio Gaertner
University of California–Irvine: Terrence Shevlin

Do Managers Extract Economically Significant Rents Through Tax Aggressive Transactions?

Two influential papers in the tax avoidance literature (Desai and Dharmapala 2006 and Desai et al. 2007) argue that tax avoidance can be used to facilitate managerial rent extraction from shareholders. Even though many subsequent papers have asserted a relation between tax avoidance and rent extraction, there is little empirical evidence to support that assertion. The most direct large sample empirical evidence in support of this theory comes from Russia, which has a much different regulatory and corporate governance environment than the United States, but subsequent studies relying on this theory focus on US firms. I test for large sample evidence that tax avoidance is associated with economically significant managerial rent extraction from shareholders in the US. I am unable to provide evidence that tax avoidance is related to managerial rent extraction on average. I conclude that researchers should exercise care when making predictions that assume a relation between rent extraction and tax avoidance by carefully considering whether this theory is appropriate for the firms in their sample.

Sponsor: Oklahoma State University
PI/PD: Bradley Blaylock

DEPARTMENT OF ECONOMICS AND LEGAL STUDIES AND BUSINESS

Population Growth in High Amenity Nonmetropolitan Counties: What's the Prognosis?
The continued strong population growth in U.S. nonmetropolitan areas possessing high levels of natural amenities during the 1990s and the reasons for near convergence of growth across the top tiers of the amenity hierarchy is examined. It is found that strong demand for high amenity areas continued in the 1990s, but convergence of population growth across the top tiers appeared related to lower wages and higher housing prices in the highest amenity areas. The results also suggest that the relative quality of life in the top two tiers of amenity counties had deteriorated.
Sponsor: State of Oklahoma
PI/PDs: Dan Rickman, Shane Rickman

Sharing the Gains of Local Economic Growth: Race to the Top vs. Race to the Bottom Economic Development
We examined whether states should pursue a race-to-the-bottom economic development approach focusing on lowering business costs or a more investment-based, race-to-the-top approach that aims to increase productivity, innovation, and entrepreneurship. Over the 2000 to 2007 period, we find that lower taxes are statistically insignificant in explaining state economic performance, and that targeted tax incentives and financial assistance – as currently practiced – are more likely to harm growth and income inequality. We found that some race to the top policies such as encouraging entrepreneurship and enhancing internet connectivity improved economic performance.
Sponsors: Lincoln Institute of Land Policy, State of Oklahoma
PI/PDs: Dan Rickman
Pennsylvania State University: Stephan Goetz
Ohio State University: Mark Partridge, Shibalee Mujamdar

International Immigration and Domestic Out-Migrants: Are Domestic Migrants Moving to New Jobs or Away from Immigrants?
We use U.S. annual state-to-state migration flows from the Internal Revenue Service to assess the existence and nature of the link between geographically-concentrated immigration and domestic migration. Two channels of influence between immigration and domestic migration are investigated: labor market competition and ethnic avoidance. We find some evidence of a domestic migrant response to immigrants, particularly to greater cumulative shares of the foreign born, which we interpret as providing some support of the ethnic or cultural avoidance hypothesis.
Sponsor: State of Oklahoma
PI/PDs: Dan Rickman
Ohio State University: Mark Partridge
University of Lethbridge: Kamar Ali

SCHOOL OF ENTREPRENEURSHIP

A Competency-Based Perspective on Entrepreneurship Education: Conceptual and Empirical Insights
The role of entrepreneurship education in helping to develop competencies within students is investigated. Building on a foundation rooted in structuration theory, competencies are approached as outgrowths of the learning and modification of scripts that derive from the interaction between the individual and the environment. A distinction is drawn between traditional business competencies and entrepreneurial competencies, and it is argued that the latter help define the unique domain of

entrepreneurship education. Employing a multi-stage Delphi methodology, evidence is provided of a core set of thirteen entrepreneurial competencies. Measures are then developed for each of these competencies and then refined with a pilot study involving students participating in a rigorous international entrepreneurship education program. Based on pre- and post-measures, evidence is provided of significant improvement on most of the competencies as a function of the educational program.
Sponsor: Oklahoma State University, Spears School of Business
PI/PDs: Michael Morris, June Fu

Entrepreneurship as Emergence: Formation and Transformation
The role of emergence in entrepreneurship is investigated. Building on complex systems theory, conceptual foundations of entrepreneurial emergence are established. Venture creation is approached as a crucible involving the confluence of disruptive events, change, improvisation, learning, adaptation and ongoing challenges to assumptions, perceptions and beliefs. From this crucible three emergent phenomena are examined: the opportunity underlying a venture, the formation of an entrepreneur, and the venture itself. Emerging elements comprising these three phenomena are explored, as well as interactions among the three as they co-emerge. Implications for theory and practice are drawn, and priorities for ongoing research are established.
Sponsor: Oklahoma State University, Spears School of Business
PI/PDs: Michael Morris, June Fu

Entrepreneurship as Experience: How Events Create Ventures and Ventures Create Entrepreneurs
This scholarly work explores entrepreneurship as an unfolding stream of salient events that are experienced, processed and responded to by entrepreneurs. Cognitive, emotional and physiological reactions to events result in learning and entrepreneurial actions. Underlying sociological, psychological and anthropological foundations for an experiential approach to entrepreneurship are reviewed. An integrative model of entrepreneurial experiencing is introduced. It is argued that the volume, velocity and volatility of events experienced by the individual serve to form the venture and the entrepreneur over time. Implications of this emergence are explored and directions for ongoing research are highlighted.
This was published as a book by Edward Elgar Press.
Sponsor: Oklahoma State University, Spears School of Business
PI/PDs: Michael Morris, Chris Pryor
Syracuse University: Minet Schindehutte

The Mediating Role of Strategic Renewal for Environmental Effects on Performance: A Study of Public Sector Organizations
Building on work on strategy, innovation, and entrepreneurship in the public sector, strategic renewal as a form of entrepreneurship is examined within public sector organizations. An integrative model is proposed that captures the mediating effect of strategic renewal on the external environment–performance relationship within these organizations. Hypotheses are tested using hierarchical regression analysis with data from a sample of CEOs in 134 public sector state and semi-state enterprises in the Republic of Ireland. The findings indicate that environmental munificence is positively related to organizational performance. Decentralized decision-making and a flexible control system have a positive impact on strategic renewal. Munificence is a strong exogenous driver of strategic renewal, while strategic renewal mediates the munificence - performance relationship. Implications are drawn for theory and practice.
Sponsor: Oklahoma State University, Spears School of Business

PI/PDs: Michael Morris
University College Dublin: Claudine Kearney

DEPARTMENT OF FINANCE

An Introduction to Energy Risk Management
We explain the basics of hedging using different types of derivatives including futures contracts, options (both calls and puts), collars, and swaps. Many examples are provided to show how both users of energy and producers of energy can manage price risk.
Sponsor: Oklahoma State University
PI/PDs: Betty Simkins
Texas State University-San Marcos: Ivilina Popova

Energy Economics: Past, Present, and Prospects for the Future
This study provides a brief overview of the past, the present, and the prospects for the future of energy with a focus on petroleum, but also includes coverage of renewables. Our discussion begins with a brief history of energy usage in the U.S., followed by coverage of energy consumption in the five primary sectors: transportation, power, residential, commercial, and industrial. We then move to a global viewpoint and investigate recent trends in world energy consumption, supply, and prices. Finally, we peer into our crystal ball and examine future forecasts of energy demand before concluding.
Sponsor: Oklahoma State University
PI/PDs: Betty Simkins
WTRG Economics: James L. Williams

Does Operational and Financial Hedging Reduce Exposure? Evidence from the US Airline Industry
We investigate the effects of both financial and operating hedging on jet fuel exposure coefficients in the U.S. airline industry during 1994 - 2008. Our results suggest that both financial and operational hedging are important tools in reducing airline exposure to jet fuel price risk, but our results suggest that operational hedging strategies are more economically important than are financial hedging strategies in reducing jet fuel price risk. Extensive endogeneity tests are examined to complete the empirical analysis.
Sponsor: Oklahoma State University
PI/PDs: David Carter**,** Betty Simkins
Portland State University: Daniel Rogers
California State University Chico: Stephen Treanor

Measuring the Relative Influence of Financial Research
We assess citation based measures to determine the relative influence of financial research and examine the breadth and depth of influence exerted by six broad-ranging finance journals. We find that leading finance journals are highly comparable and among the most influential journals in the social sciences with influence extending well beyond finance. Finally, we demonstrate the decided differences to which the degree of influence exerted by the journals is determined by their self-citation rates.
Sponsor: Oklahoma State University
PI/PDs: Betty Simkins, Allissa Lee
Miami University: Kenneth Borokhovich

Options on Troubled Stock

This article uses equilibrium arguments to derive closed-form solutions for the price of European call and put options written on an individual stock when shareholders might lose all their claims on the firm. The stock price accounts for both a stochastic probability of bankruptcy and a stochastic probability of going concern. With a random probability of bankruptcy, shareholders lose all their claims in the firm. With a random probability of going concern, the stock price is lognormal as in the Black-Scholes model. The bankruptcy probability is correlated with aggregated wealth if the bankruptcy risk is systematic. The model is consistent with a bankruptcy probability negatively correlated with the firm's stock price.

Sponsor: Oklahoma State University

PI/PDs: Betty Simkins, Antonio Camara, Ana Camara

Texas State University San Marcos: Ivilina Popova

Financial Statement Analysis for Oil and Gas Companies and Competitive Benchmarking

This paper describes how to analyze the financial statements of oil and gas companies and conduct competitive benchmarking. Standard financial ratios are covered together with an in-depth evaluation of the nine most important energy ratios which are used to scrutinize the upstream operations of oil and gas companies: Production ratio, reserve life index, reserve replacement ratios, the cost of replacing reserves including finding cost and lifting cost, and the reserve value added ratios.

Sponsor: Oklahoma State University

PI/PDs: Betty Simkins, Siamak Javadi, Mary Wicker

The Market's Reaction to Unexpected, Catastrophic Events: the Case of Oil and Gas Stocks and the Gulf Oil Spill

On April 20, 2010 the United States Coast Guard received a report of an explosion and fire aboard Transocean's Deepwater Horizon offshore drilling rig. Eleven workers were killed and another seventeen were injured in the explosion. The resulting spill exceeded the Exxon Valdez oil spill as the worst oil spill in U.S. history. While this disaster has far reaching effects for the market value of British Petroleum, the more interesting question is what valuation effects might exist for other oil and gas firms. These effects could arise due to the increase in perceived risk for all offshore drilling and the likelihood of an increase in the regulation of offshore drilling. We find evidence of abnormal returns for the majority of the dates in our investigation. Further, our results reject the notion that the market reaction was the same for all oil and gas firms, leading to the conclusion that the market did differentiate between firms.

Sponsor: Oklahoma State University

PI/PDs: David Carter, Betty Simkins

Valparaiso University: Philip Humphrey

Is There an Optimally Diversified Conglomerate? Evidence from Corporate Bond Market

Recent theories predict that conglomerates choose an optimal number of operating divisions to utilize their comparative advantages in various industries and achieve economy of scope by eliminating redundancies. Using corporate bond markets as the experimental setting, we find that an optimally diversified conglomerate consists of approximately five equally weighted divisions. As conglomerates become more diversified and as divisions become more equally weighted, credit spreads decline, implying that better productivity gains and greater economy of scope benefit bondholders. However, beyond approximately five equally weighted divisions, the credit spread starts to increase gradually, manifesting the increasing difficulty of efficiently managing numerous divisions.

Sponsor: Oklahoma State University, Spears School of Business
PI/PD: Ali Nejadmalayeri, Subramanian Iyer

Industry Competition and the Corporate Cost of Debt

Recent theory posits that in competitive industries, cash flows are more volatile and economic profits are smaller, hence credit risk is high. I use both inter- and intra-industry concentration measures and find that indeed as industry concentration rises (i.e., industries become less competitive), credit spreads decline. Moreover, I find that the ameliorating effect of greater industry concentration on credit spreads is more pronounced for industries that the aggregate sales are growing and the number of firms is still increasing. These results suggest that while greater competition among industry firms extenuates credit risk, weaker barrier to entry and more entrants may benefit firms perhaps because it creates larger market for potential distressed assets.
Sponsor: Oklahoma State University, Spears School of Business
PI/PD: Ali Nejadmalayeri

Enduring Effects of Demography on Retirement Planning

More than a century of evidence suggests that only individuals born in the rising stages of population booms spend most of their retirement planning phase in bull stock markets with tamed inflation thus benefiting greatly from investing in stocks. The proportional size of aggregate savers, i.e., Geanakoplos, Magill, and Quinzii's (2004) MY ratio—the ratio of middle-age-to-young population—is the most pertinent determinant of inter-generational variations in retirement planning results. Unlucky generations, who starts saving during high MY ratio periods, are well advised to overweight corporate bonds in their portfolios. When retirement planning horizon is short, all generations should use caution in weighting stocks in their portfolios.
Sponsor: Oklahoma State University, Spears School of Business
PI/PD: Ali Nejadmalayeri

How Do Bond Investors Perceive Dividend Payouts?

We explore how bond investors view corporate cash distributions through dividends and how that view influences corporate cost of debt. Explaining between 45 and 67 percent of variance in credit spreads at the time of issuance, our model reveals a non-linear association between dividend payouts and investment return expected by bondholders. In particular, while bondholders view cash disbursements in small amounts as a positive signal, large dividend payouts are viewed negatively. Our results thus provide support for both the signaling hypothesis and for the agency-cost-of-debt hypothesis. The results are robust even after controlling for firm size, growth opportunities, profitability, leverage, business risk, asset tangibility, and term structure. Exploiting the 2003 dividend tax cut as an exogenous shock, we demonstrate that our results are not vulnerable to endogeneity problems. Finally, we find no evidence of corporations timing the payouts strategically to influence the cost of debt.
Sponsor: Oklahoma State University, Spears School of Business
PI/PDs: Ali Nejadmalayeri
Southern Illinois University: Ike Mathur
Penn State University–Great Valley, Columbia: Manohar Singh, Pornsit Jiraporn

Corporate Governance and Lobbying Strategies

The paper extends recent research on corporate non-market actions [Fernández Z, Usero B, Considerations on research on non-market actions: A commentary essay. J Bus Res (2010)] and [Usero B, Fernández Z, First come, first served: How market and non-market actions influence pioneer market share. J Bus Res (2009)]. Specifically, we study whether corporate governance, in terms of managerial entrenchment, determines the choice and degree of lobbying engagements as a non-market strategy and with what impact on firm value. The results indicate that firms with more entrenched management have a greater tendency to engage in lobbying activities. Within the group of firms that lobby, there is a negative relation between the degree to which management is entrenched and lobbying intensity. In addition, there is a positive relation between lobbying intensity and value added by lobbying firms. Overall, the evidence suggests that corporate lobbying is not agency driven and may, in fact, create value.

Sponsor: Oklahoma State University, Spears School of Business
PI/PDs: Ali Nejadmalayeri
Southern Illinois University: Ike Mathur
Penn State University–Great Valley: Manohar Singh
Willamette University: Fred Thompson

The Speed and the Source of Short-Term Reversals in Equity Prices

Reversal in monthly returns is attributed exclusively to the prior week's return, and the entire reversal process lasts two to three weeks, consistent with a short lived demand for liquidity. Controlling for volume, illiquidity ratios, size, and volatility reversal in weekly returns is more strongly related to absolute returns in the cross-section. Large absolute returns are associated with greater reversal, and there is no reversal for stocks with small absolute returns, consistent with only large changes in valuation requiring capital constrained investors to demand liquidity. For reversal, dynamic and valuation-influenced aspects of liquidity are more important than static and valuation-exogenous aspects of liquidity.

Sponsors: Oklahoma State University, Baylor University
PI/PDs: Bilal Erturk
Baylor University: Ted Moorman

Accounting Accruals and Short Selling

We find that the positive association between short interest and total accruals is attributable to discretionary accruals supporting the view that short sellers play a useful role in uncovering opportunistic earnings management. We do not find that short interest is positively related to non-discretionary accruals. In the post Sarbanes-Oxley Act period the positive relation between short interest and discretionary accruals is no longer statistically significant, suggesting that short seller arbitrage of discretionary accruals has declined in the post-SOX period.

Sponsors: Oklahoma State University, University of Texas at El Paso
PI/PDs: Bilal Erturk, Tony Kang, Ramesh Rao
University of Texas at El Paso: Giorgio Gotti

Credit Watch and Capital Structure

This research examines the capital structure reactions of firms that have been added to Standard & Poor's CreditWatch list in order to test the role of credit ratings in firm financial decisions. Survey evidence indicates that CFOs consider credit ratings as the second most important determinant of financing policy. If credit ratings are indeed important we should observe that firms facing a potential downgrade should react by reducing debt financing in an attempt to avert the potential rating downgrade. In the case of a potential upgrade, we should also observe a scaling back of debt financing to reinforce the rating upgrade. We find evidence for the latter but for potential downgrade firms, contrary to expectations we find that these firms issue *more* debt relative to equity. The only exception

is for a subset of firms that regularly access the capital markets. Overall, we conclude that while credit ratings are a consideration in determining corporate financing policy, it is probably a secondary determinant.
Sponsor: Oklahoma State University
PI/PDs: Ramesh P. Rao
University of Wisconsin–Eau Claire: Kris Kemper

Managerial Behavior and the Link between Stock Mispricing and Corporate Investments
This research examines whether and how managers' investment decisions respond to stock mispricing. Unlike previous studies we examine both aggregate corporate investment behavior and its components: capital expenditures, R&D, acquisitions, and asset sales. Overall, our study indicates that the sensitivity of investments to mispricing is a function of the nature of mispricing, type of investment, and source of financing.
Sponsor: Oklahoma State University
PI/PDs: Ramesh P. Rao
King Fahd University of Petroleum Minerals: Mohammed Alzahrani

Do Credit Ratings Really Affect Capital Structure?
This research examines the impact of labor union shareholder activism through the submission of shareholder proposals during 1988-2002. We examine the effect of labor union sponsored shareholder proposals on announcement period returns, on the corporate governance environment of the firm including shareholder rights, board composition, and CEO compensation, and on long run shareholder wealth. We find that the efficacy of activism is related to union presence at targeted firms and shareholder support for proposals. Our findings, hitherto not reported elsewhere, contribute to the shareholder activism literature by implying that labor unions may be unique in their ability to spur such changes relative to other shareholder proponents.
Sponsor: Oklahoma State University
PI/PDs: Ramesh P. Rao
University of Wisconsin–Eau Claire: Kris Kemper

Why Do Firms Issue Debt and Equity?
Though it is generally accepted that information asymmetry has an impact on capital structure policy, the nature of the information asymmetry is not well understood. We examine the hypothesis that the choice between debt and equity depends upon the information asymmetry associated with the investment risk of the particular use of proceeds. According to this hypothesis, equity is used to fund projects with greater information asymmetry about their risk such as research and development (R&D) and acquisitions, while debt is used to fund investments with less information asymmetry about their risk such as liquidity enhancement. Consistent with this hypothesis, we find that equity issuances are motivated by growth considerations and that the proceeds are used to finance R&D expenditures and acquisitions. In contrast, firms issue debt when their cash holdings decline and use the debt to increase it.
Sponsor: Oklahoma State University
PI/PDs: Ramesh P. Rao
University of St. Thomas: Sunil Mohanty, Mufaddal Baxamusa

Tightening Credit Standards: The Role of Accounting Quality – Comment
Blume, Lim and MacKinlay (1998, Journal of Finance) in an influential paper test two competing hypotheses to explain the apparent decline in the average credit ratings of U.S. corporations. They find

that tightening rating standards rather than a decline in corporate credit quality is responsible for the observed trend in corporate credit ratings. The modeling choice in Blume et al (1998) leaves open the possibility that an omitted factor with a negative trend could be responsible for their finding rather than tightening rating standards. Jorion, Shi and Zhang (2009, Review of Accounting Studies) in a paper published in this journal argue that accounting information has become less relevant in credit rating models and present evidence consistent with the notion that declining accounting quality rather than tightening rating standards is responsible for the finding in Blume et al (1998) and others. This study identifies a specification problem in Jorion, Shi and Zhang (2009) which when corrected suggests that the original Blume et al findings still hold.
Sponsor: Oklahoma State University
PI/PDs: Ramesh P. Rao
Texas A&M University: Vinod Venkiteshwaran

Player Absence and Betting Lines in the NBA
We examine the efficiency of betting lines in the NBA when players are absent. We show that the betting line tends to move away from the team with absences, particularly when a meaningful player is absent. We show that opening lines set by bookmakers have significant errors in games when a player is absent. No profitable betting strategy exists in wagering at the closing line, however, as biases are removed by either the sports book responding to new information or through the actions of bettors. The results suggest that all information contained in player absences is incorporated into betting lines.
Sponsor: Oklahoma State University
PI/PDs: William H. Dare
University of North Dakota: Steven A. Dennis
St. Bonaventure: Rodney J. Paul

Improved IV Estimation of Vertical Property Tax Inequity
In this paper we propose a new IV estimator to be used in detecting vertical property tax inequity. We conduct Monte Carlo experiments to evaluate the bias of this estimator in comparison to traditional linear regression based estimators. We find that the new estimator is more robust to bias across alternative average assessment ratios, even in the presences of errors-in-variables, than the IV estimator suggested by Clapp (1990) and frequently used for such purposes. Furthermore, the new instrument allows for an investigation into how strong the measurement error in sales prices relative to that in assessed values must be for the results to change from those of the traditional methods..
Sponsor: Oklahoma State University
PI/PDs: Michael D. S. Morris, William H. Dare

Addressing Appraisal Drift in Property Taxation: Alternatives to Traditional Taxation Methods
Increasing tax revenues with a stable or decreasing Tax Rate is referred to by some as 'appraisal drift,' which may treat taxpayers of lower or upper income levels, differently. A major component of this system revolves around the ability of assessing officials to accurately estimate the value of the properties in their jurisdiction. This paper investigates the instance of tax equity on a sample of properties in Lubbock, Texas. While vertical inequity exists in the Lubbock, Texas property tax system over the period studied, the extent and type of inequity is not consistent between models and years. The results also indicate horizontal inequity is present in this sample of properties over the period studied.
Sponsor: Oklahoma State University
PI/PDs: William H. Dare

Texas Tech University: Paul R. Goebel
The Honorable Carl Isett (Retired)

Default Correlation and Credit Risk Management
The investigators on this project seek to improve current practice in assessing default correlation and default probabilities within a structural model of default which correctly accounts for correlation in asset value changes. The project identifies current deficiencies in the standard approaches used in industry
Sponsors: Spears School of Business, OSU College of Arts and Sciences
PI/PDs: Tim Krehbiel
Department of Mathematics: Weiping Li

Option Pricing with Stochastic Correlation
The investigators on this project develop and test a model which incorporates stochastic correlation in the underlying model assumptions by comparing the difference between the price of options written on the Dow Jones Industrial Average and options written on the common stocks of the companies which make up the Average.
Sponsors: Spears School of Business, OSU College of Arts and Sciences
PI/PDs: Tim Krehbiel
Department of Mathematics: Weiping Li

Credit Spreads and Federal Reserve Announcements
The investigators on this project examine the impact of announcements by the Federal Open Market Committee on the credit spreads of corporate bonds. The evaluation identifies important determinants of credit spreads not currently considered in standard models.
Sponsor: Spears School of Business
PI/PDs: Tim Krehbiel, Siamak Javadi, Ali Nejadmalayeri

All Risks Matter
We derive the total variance risk premium for an index in the stochastic environment of Driessen, Maenhout and Vilkov(2009) and correct the previous authors omission of certain components which contribute significantly to index option expected returns. This study provides a mathematically complete decomposition of an index's total variance risk premium, and a mathematically complete description of the dynamic asset pricing for the system consisting of the index and the index's component stocks.
Sponsors: Spears School of Business, OSU College of Arts and Sciences
PI/PDs: Tim Krehbiel
Department of Mathematics: Weiping Li

Does the Early Exercise Premium Contain Information About Future Underlying Returns?
We investigate the information content of the call (put) Early Exercise Premium, or EEP, defined as the normalized difference in prices between otherwise comparable American and European call (put) options. The call EEP specifically captures investors' expectations about future lump sum dividend payments, as well as other state variables such as conditional volatility and interest rates. Interestingly, we find that the EEP is a good forecaster of returns at daily horizons. This forecastability is not due to time-variation in market risk premia or liquidity. Importantly, we find that the predictability stems primarily from the ability of the EEP to forecast innovations in dividend growth and macroeconomic conditions.

Sponsors: Oklahoma State University, University of Oklahoma, UCSD
PI/PDs: Yuzhao Zhang
UCSD: Rossen Valkanov
University of Oklahoma: Pradeep Yadav

Capital Asset Pricing With a Stochastic Horizon
In this paper we present empirical tests of an extended version of the Capital Asset Pricing Model that replaces the single period horizon with a probability distribution over different horizons. Adopting a simple parameterization of the probability distribution of the length of the horizon, we estimate the parameters of the distribution as well as the parameters of the CAPM. We find that the extended model is not rejected, and that the estimated stock turnover rate rises from 82.8% in the period 1926-62 to 266.4% in the period 1963-2009. We also find that long horizon betas are determined by identifiable firm characteristics as well as by short horizon betas.
Sponsors: Oklahoma State University, UCLA
PI/PDs: Yuzhao Zhang
UCLA: Michael Brennan

Informed Trading in Regulated Industries
We investigate the impact of regulatory supervision on informed trading, testing hypotheses on regulatory pressure and private information. We categorize firms in financial services, pharmaceuticals, and utilities as regulated or supervised. Our empirical research strategy employs several different approaches to examine informed trading in supervised firms, including panel regressions, information shocks, changes in regulatory oversight, private information flows, disparities in state and federal supervision, and cross-state differences in regulatory oversight. The results of these tests, across various security markets and measures of informed trading, appear inconsistent with the hypothesis that regulatory supervision reduces informed trading. Instead, this series of tests all point in one direction, namely that informed trading occurs more readily in firms with regulatory oversight.
Sponsors: Oklahoma State University, Southern Illinois University, National University of Singapore
PI/PDs: Yuzhao Zhang
National University of Singapore: David Reeb
Southern Illinois University: Wanli Zhao

The Efficacy of Regulatory Intervention: Evidence from the Distribution of Informed Option Trading
A substantive body of equity-market academic research documents an extensive range of costs arising from the SEC's October 2000 adoption of strictures on selective disclosure and insider trading; suggesting an unusual outcome, specifically, an increase in informed trading. We investigate the efficacy of the SEC's regulations by examining informed trading in an attractive the options market. Our analysis indicates that about 47 percent of firms exhibited symptoms of informed option trading prior to regulatory intervention. After regulatory intervention, we observe that only 16 percent of firms show symptoms of informed trading. Notably, our proxies for large shareholder and financial analyst access are associated with the largest decreases in informed option trading.
Sponsors: Oklahoma State University, Temple University, Southern Illinois University, National University of Singapore
PI/PDs: Yuzhao Zhang
Temple University: Ronald Anderson
National University of Singapore: David Reeb
Southern Illinois University: Wanli Zhao

The Long-Run Economic Impact of an Institution of Higher Education: Estimating the Human Capital Contribution

One of the main contributions of institutions of higher education is human capital. In the context of regional universities, their primary impact can be measured through the future income stream of alumni who stay to work in the local area (Bluestone, 1993). This constitutes a long-run impact and a substantial part of the overall economic impact of an institution to the local, regional, and national economy. Although the human capital contribution has been acknowledged in previous economic impact studies, data limitations have limited the ability to provide a more accurate estimate. This paper provides a methodology to estimate the long-run human capital contribution through a combination and adaptation of existing methodologies, essentially addressing the weaknesses. In addition, the methodology is applied to a public regional university with access to mostly primary data collected mainly for the purpose of this study, again allowing for a more precise estimate.

Sponsors: State of Kansas, Fort Hays State University

PI/PDs: Tom Johansen

Indiana University Southeast: Dr. Kathleen Arano

Federal Home Loan Bank Advances and Bank Risk

Moral hazard could cause banks using FHLB loans to increase financial leverage and exposure to high risk assets. Conversely, the FHLB offers banks additional liquidity and specialized debt instruments that help them manage interest rate risk. We use dynamic panel generalized method of moments estimation to test the relationship between FHLB advances and bank risk. We find no evidence that FHLB advances are associated with higher bank risk. To the contrary, we find that advances are associated with lower interest rate risk.

Sponsor: State of Oklahoma

PI/PDs: Travis Davidson, W. Gary Simpson

Can Option Parameters Predict Asset Returns?

We develop a quantitative model to predict superior asset returns. Our model yields two parameters: omega or the probability that investor's double their stock wealth and volatility or uncertainty associated with future stock returns. We provide two empirical applications of our quantitative model. First, we investigate what happens to parameter values surrounding merger and acquisitions. We show that our model reflects a sharp drop in uncertainty around the announcement dates of mergers and acquisitions. Second, we construct portfolios with high/low omegas and volatilities. We show that a portfolio with low omega and volatility produces superior returns with low volatility. We also show that our parameters provide information about returns beyond the Fama-French factors.

Sponsor: Oklahoma State University

PI/PDs: Joel Harper, Antonio Camara

US Pension Plan Status, Reporting Information and Plan Types: A Descriptive Analysis

We use data from plan regulatory filing data from Form 5500 to analyze the 1995 – 2002 reporting period. This is a time period of rapid changes in funding level for defined benefit plans. We investigate the reasons for changes in funding status as well as compare the performance of defined benefit plans to defined contribution plans. Finally, we compare the regulatory filing data with the financial reporting data from accounting measures. The descriptive statistics show the current underfunding of defined benefit plans was due to in part the ceiling placed on contributions as well as an extended period of negative investment returns. Furthermore, we find plan assets in both defined benefit and defined contribution plans behaved similarly during this time period, although defined benefit plans had better return performance in the period of low returns as well as more assets per participant. Finally, we find

substantial differences in plan assumptions between the regulatory and financial report data.
Sponsor: Oklahoma State University
PI/PDs: Joel Harper, John Polonchek

Tracking Stocks: Restructuring Gone Awry
Starting in the mid '80s and accelerating in the '90s, many companies issued tracking stock, a class of stock that should track the performance of a unit within a diversified corporation. Despite the motivations of preservation of internal capital markets and increased information flow, the majority of tracking stock has been eliminated or dissolved. We find the announcement of a dissolution of tracking stock has a positive stock price reaction for both the parent and tracking unit stockholders, with tracking stockholders experiencing an average 8% abnormal return over a two day event window. The positive reaction is related to debt ratio and method of dissolution for the parent shareholders, but not tracking shareholders. The tracking shareholder return is mostly related to the size of the tracking unit relative to the parent firm. We find no evidence abnormal returns are related to preserving internal capital markets.
Sponsor: Oklahoma State University
PI/PDs: Joel Harper, Travis Davidson

Paying for Active Management: Evidence from Pension Fund Performance
Using a sample of 70 public pension funds, we analyze the performance of external investment managers and the costs of external management. While most plans pay for a separate account, returns from investment managers indicate they manage assets as a pooled account, but charge varying fees to plans based on size which exhibit economies of scale. As a result, smaller funds have worse net of fee performance than larger funds.
Sponsor: Oklahoma State University
PI/PDs: Joel Harper
University of North Carolina–Wilmington: Nivine Richie
Thompson Rivers University: Sean Finucane

How Risky Are Defined Benefit Plans: Evidence from Freezes and Terminations
A growing literature finds defined benefit plans restricts the ability of a company to make capital investments and adds risk to the firm due to fluctuations in the value of its investments. We analyze the volatility of operating cash flows from firms with defined benefit plans and determine if the volatility of cash flows change as a result of a pension freeze or termination. We find operation cash flows decrease once a defined benefit plan closes or is terminated providing strong evidence these pension plans add to the risk of the firm.
Sponsor: Oklahoma State University
PI/PDs: Joel Harper, Yuecheng Jia

Is There a Flight to Safety? Firm Risk and Investor Sentiment
Behavioral facets such as sentiments play a significant role in affecting valuation. Sentiments disproportionately affect valuation of speculative stocks. Investors pursue speculative stocks when sentiment is high. Do investors take flight to safety when sentiment is low? Using cash flow volatility and the percent of bullish investors as our proxies for risk and investor sentiment, in general we find that there is a negative relationship between investor sentiment and the return of risky stocks, which is contrary to prior studies. All told, safe stocks perform better during periods of high investor sentiment. Investor sentiment has little influence on safe stocks, therefore we assert that there is no concerted flight to safety.

Sponsor: Oklahoma State University
PI/PDs: Joel Harper
University of New Mexico: Subramanian Rama Iyer

Exposure, Hedging, and Value: New Evidence from the U.S. Airline Industry
For a variety of reasons, the US airline industry is a natural sample to analyze the relation between corporate risk exposure, hedging policy, and firm value. First, we find that airline exposures to fuel prices are higher when fuel prices are high or when they are rising. Second, we analyze the relation between exposure coefficients and the percentage of next year's fuel requirement hedged by airlines. In response to higher fuel price levels, rising fuel prices, and higher levels of exposure to fuel prices, airlines tend to increase their hedging activity. Finally, we explore the previously documented jet fuel hedging premium illustrated in Carter, Rogers, and Simkins (2006). We find a positive hedging premium in our analysis; however, the interaction of hedging and exposure does not affect firm value. We conclude that airlines increasing hedging activity because of higher fuel price exposure are not valued higher compared to those airlines employing more stable hedging policies.
Sponsor: Oklahoma State University
PI/PDs: David A. Carter
Portland State University: Daniel A. Rogers
California State University–Chico: Stephen D. Treanor

Implications of Subchapter S Tax Status for Commercial Banks
Subchapter S status provides institutions the ability to maintain limited liability while avoiding double taxation. We use the methodology of Barber and Lyon (1996) to evaluate the performance of banks that converted to Subchapter S status during the 1997-2004 period with a matched sample of banks that did not convert. The analysis indicates that the banks converting to Subchapter S increased dividends paid to shareholders. However, the results also suggest that Subchapter S banks increased dividends more than the added personal taxes incurred by shareholders. The analysis also suggests that banks converting to Subchapter S status reduced some types of small business and agricultural lending and salaries. The analysis supports the conclusion that Subchapter S banks directed the tax benefits of conversion to shareholders rather than increasing the credit availability or increasing salaries.
Sponsor: Oklahoma State University
PI/PDs: David A. Carter, W. Gary Simpson
Fort Hays State University: Emily Breit

DEPARTMENT OF MANAGEMENT

The Three-Option Format for Knowledge and Ability Multiple-Choice Tests
Multiple-choice is the most common testing format for measuring knowledge and ability in education and business. Furthermore, the most common number of options provided is five. However, 3-option tests are cheaper and easier to develop and yield almost identical results as a 5-option test. This research makes the case for why 3-option multiple-choice tests are superior to 5-option tests.
Sponsor: Oklahoma State University
PI/PDs: Bryan D. Edwards
Texas A&M University: Winfred Arthur, Jr.
Auburn University: Leonardis Bruce

Taking a Look Behind the Wheel: Personality Predictors of Aggressive Driving
Aggressive driving poses a serious public safety problem. The present research shows that there are several personality variables that predict aggressive driving. Specifically, drivers who are emotionally unstable, disagreeable, and low in conscientiousness are more likely to drive aggressively. Companies could select drivers based on these personality variables and reduce costs due to crashes, injuries, lawsuits, and occupational stress. Employing safe drivers can also reduce health insurance premiums, increase compliance with OSHA standards, create a healthier workforce, and improve public relations.
Sponsor: Oklahoma State University
PI/PDs: Bryan D. Edwards
University of Southern Mississippi: Eric R. Dahlen
University of Wisconsin - River Falls: Travis Tubré
University of Melbourne: Michael J. Zyphur
California State University – Long Beach: Christopher R. Warren

Effort and Fairness in Bargaining Games
Most negotiations involving monetary transactions base price points on the perceived value of the service or product offered. For example, it is natural for sellers to value their own service or product higher than the buyer. However, we argue that there is also another factor that affects the decision of value (for both the seller and buyer) – perceived effort. Accordingly, participants in our study placed a larger monetary value on effort and compensated themselves and others accordingly. However, in the condition where no effort was involved (such as winning a lottery or bonus) participants were willing to split the money with a negotiating partner approximately 50%-50%.
Sponsor: Oklahoma State University
PI/PDs: Bryan D. Edwards
Auburn University: Ana M. Franco-Watkins, Roy E. Acuff

Voice Climate in Organizations: A Group-Level Examination of Antecedents and Its Influence on Group Voice Behavior
This study draws from social information processing theory and the climate literature to examine antecedents and outcomes of voice climate. We investigate group-level antecedents to a voice climate in work groups and voice climates relationship with group voice behavior. Our results indicate that group perceptions of involvement climate and supervisor undermining have a significant influence on group perceptions of voice climate. In addition, the relationship between involvement climate and voice climate is moderated by supervisor undermining, highlighting the unique influence of supervisors on the work group's environment.
Sponsor:
PI/PDs: Wm. Matthew Bowler
Old Dominion University: Lance Frazier

Boundary Conditions of Trust Transference Between Leaders, Followers and Coworkers
This study examines the spread of trust between supervisor-subordinate dyads to the broader employee network. Two separate three-way interactions are hypothesized and tested. The interactive effects of supervisor trust of subordinate, supervisor trust centrality and supervisor communication centrality were significant in predicting subordinate trust. This finding demonstrates the amount of communication between a supervisor and other employees enhances the combined effects of supervisor trust in the subordinate and network trust in the supervisor on network wide trust of the subordinate. Implications and future research directions related to these results and the overarching trust literature are discussed.

Sponsor:
PI/PDs: Wm. Matthew Bowler
Illinois State University: Jeff Paul
West Virginia University: Mark Gavin

Experienced Workplace Rudeness: Its Antecedents and Consequences
This network study examines how employees experience and demonstrate rude acts in the workplace. We look at the spiraling nature of rudeness, what causes rudeness, how rudeness spreads in the workplace, and how employees react both toward the instigator and the organization.
Sponsor:
PI/PDs: Wm. Matthew Bowler
University of Northern Illinois: Don Kluemper, Shannon Taylor
University of Alabama: Jonathon Halbesleben

Rudeness and Influence
This network study examines the effects of power and influence in organizations on rudeness behaviors. Initial results suggest that rude acts and victimization are both governed by the differential influence level between aggressor and victim. Additionally, supervisor ratings of rudeness are in part determined by the differential influence level of the aggressor and the victim.
Sponsor:
PI/PDs: Wm. Matthew Bowler
University of Northern Illinois: Don Kluemper, Shannon Taylor
University of Alabama: Jonathon Halbesleben

The Dark Side of Organizational Citizenship Behavior
In this study we examine the negative outcomes of working beyond one's job description. The main research question is: How does performing organizational citizenship effect employee burnout and in-role performance?
Sponsor:
PI/PDs: Gabi Eissa, Wm. Matthew Bowler

Toward an Understanding of Advice-Seeking Behavior: A Social Network Perspective on Seeking Advice and Gaining Influence in Organizations
Drawing upon theories of proactivity and impression management, we investigate the relationship between advice seeking and perceptions of influence in organizations. In a social network study of 91 employees (4095 observations), we found that employees who sought advice were rated as more influential. Furthermore, the results indicate that those who seek advice gain the most influence when they solicit it from influential advisors, experts, and those who bridge structural holes, and when they seek at least as much advice from their advisor as their advisor seeks from them. Implications and directions for future research are also discussed.
Sponsor:
PI/PDs: Wm. Matthew Bowler
University of Houston–Clear Lake: Troy Voelker
University of Oklahoma: Mark Bolino

Employee Machiavellianism to Opportunistic Unethical Behavior: An Examination of the Moderating Role of Leadership

We examine employees' Machiavellianism (Mach) as a personality trait that is associated with opportunistic unethical behavior in the forms of financial- and customer-related unethical behaviors and social undermining. We argue that the relationship between employees' Mach and unethical behavior is likely to depend on situational factors that either enhance or suppress a Mach's innate tendencies to behave opportunistically. We identify "good" and "bad" leadership as factors that affect the Mach to opportunistic unethical behavior relationship. To test this notion, we specifically examine the moderating roles of abusive supervision and ethical leadership on the Mach to opportunistic unethical behavior relationship. We collected multi-source field data to test our hypotheses across two studies. Our results provide support for our predictions.

Sponsor: Oklahoma State University

PI/PDs: Rebecca L. Greenbaum, Aaron Hill, Gabi Eissa, Matthew J. Quade

Drexel University: Mary Bardes Mawritz

When the Customer Is Unethical: An Examination of Employee Emotional, Attitudinal, and Conflict Reactions and the Moderating Role of Ethical Leadership

We propose that employees who work with unethical customers are likely to have unresolved moral reactions that manifest in the form of emotional exhaustion. Emotionally exhausted employees are then expected to reduce organizational commitment and job satisfaction and experience more relationship and task conflict with supervisors and coworkers. We also argue that organizations can more effectively manage employees' reactions to customer unethical behavior by hiring and/or training ethical leaders. Hence, we propose a model whereby ethical leadership mitigates the indirect relationship between customer unethical behavior and employee outcomes, as mediated by employee emotional exhaustion. We found general support for our theoretical model across two field studies. In Study 2, our results held while controlling for employees' direct mistreatment from customers (customer interpersonal injustice).

Sponsor: Oklahoma State University

PI/PDs: Rebecca L. Greenbaum, Matthew J. Quade, Gabi Eissa, Joongseo Kim

Drexel University: Mary Bardes Mawritz

They Bring It on Themselves: The High-Performing Deviant as a Provocative Victim of Abusive Supervision and the Exacerbating Effect of Supervisor Bottom-line Mentality

We investigate subordinate deviant behaviors in relation to abusive supervision. We also explore the moderating effects of subordinate performance and supervisor bottom-line mentality (i.e., BLM; a one-dimensional frame of mind that revolves around securing bottom-line outcomes to the neglect of competing priorities; Greenbaum, Mawritz, & Eissa, 2012). Using two multisource field studies, we found subordinate organizational- and supervisor-directed deviance was positively related to abusive supervision, and subordinate performance and supervisor BLM strengthened the subordinate deviance-abusive supervision relationship. In addition, we found high supervisor BLM strengthened the interactive effect of subordinate deviance and performance on abuse. Our research contributes to our knowledge of antecedents of abusive supervision by demonstrating that high-performing, deviant employees are most likely to be abused by supervisors who possess a high BLM.

Sponsor: Oklahoma State University

PI/PDs: Rebecca L. Greenbaum

Drexel University: Mary Bardes Mawritz, Katrina Graham

Unobtrusive Measurement of Executives Characteristics: Problems and Prospects
Limitations associated with direct measurement such as non-response bias, low-response rates, social desirability biases, subject-mortality in longitudinal studies have led scholars to employ a variety of indirect, or unobtrusive, methodologies to assess executives' personal characteristics such as their psychological constructs and values. We highlight four aspects related to the use of unobtrusive methods.
Sponsor: Oklahoma State University
PI/PDs: Aaron Hill, Margaret White, Craig Wallace

Are We Overconfident in Executive Hubris Research? An Examination of the Convergent Validity of Extant Measures
Hubristic or overconfident executives are central to a growing literature that spans management, economics, finance, and entrepreneurship. Much of this research has utilized unobtrusive, or indirect, measures to assess executive hubris from secondary data sources. We analyze the convergent validity of seven extant unobtrusive measures of executive hubris.
Sponsor: Oklahoma State University
PI/PDs: Aaron Hill, Margaret White
Northeastern State University: Dave Kern

Significant Non-Significance
We build off of previous calls to rectify 'asterisk-only' publishing by offering criteria for the publication of research that offers what we refer to as 'significant non-significance,' or research that results in non-findings but nonetheless offer insights important that advance our understanding of a particular theory of phenomena.
Sponsor: Oklahoma State University
PI/PDs: Aaron Hill, Margaret White

Venture Capitalists and the Governance of Entrepreneurial Firms
This is research that seeks answers to the questions relating entrepreneurial firm characteristics, strategic actions, and venture capitalists support with firm performance as new businesses pursues IPOs.
Sponsors: State of Oklahoma, greenWells, Inc.
PI/PDs: Margaret A. White
Clemson University: Jason Ridge,
greenWells, Inc.: Ann E. Echols

Myopic Behavior of Top Managers and the Effect on Performance
In organizations, managers often develop myopic types of behaviors. Such behaviors can have both positive and negative effect on organizational outcomes. This research examines when and where myopic behaviors are likely to occur and the effect they have on competitive positioning.
Sponsor: State of Oklahoma
PI/PDs: Margaret A. White, Jason Ridge
Northeastern State University: David Kern

Strategic Implications of Pre-Merger Firm Characteristics on Post-Merger Results
This series of studies examines how pre-merger characteristics manifest themselves in post-merger firms. In addition, the influence on merger effectiveness is examined for a variety of areas including social responsibility, power and influence, relative size, relatedness, and governance characteristics.

Sponsor: State of Oklahoma
PI/PDs: Margaret A. White,
University of West Florida: Blaine Lawlor
Florida Atlantic University: Kimberly Ellis

Strategic Orientation of Small Firms
This effort examines how strategic orientation of small business management relates to performance.
Sponsors: State of Oklahoma, Tulsa Chamber of Commerce-Small Business Development
PI/PDs: Margaret A. White,
Georgia College and State University: Robert J. Duesing

Turnaround Through Venture Capital Investment
This study is an in-depth case study of a venture capital buy-out of a technology leading firm that was being used as a cash cow by its previous owners.
Sponsor: Oklahoma State University, WB Consulting
PI/PD: Margaret A. White,
WB Consulting: Suzanne Behr

CEO Pay Disparity
We integrate the seemingly contradictory theoretical predictions and findings of behavioral and economic perspectives about the relationship between pay disparity and firm performance. We revisit the theoretical basis for both tournament and social comparison theories and acknowledge that in their complete formulation, they are more supplementary that contradictory in nature.
Sponsor: Oklahoma State University, Clemson University
PI/PD: Margaret A. White, Federico Aime
Clemson University: Jason Ridge

Entrepreneurial Behavior in Kenya
Various research projects with colleagues at Moi University focused on the context of entrepreneurial behavior. Much research has been done in developed economies. This research focuses on entrepreneurial behaviors in a developing economy—Kenya.
Sponsor: Oklahoma State University
PI/PD: Margaret A. White, Loice Maru, Joyce Komen, Rose Boit, Catherine Muganda, Lucy Rono

Development and Validation of the IEMS Scale
This project examines reliability and validity evidence for the Interpersonal Emotion Management Scale (IEMS) across several studies.
Sponsor: Spears School of Business
PI/PDs: Debra L. Nelson
University of Georgia: Laura M. Little

Can Acting at Work Be a Good Thing?
The research, conducting in call centers in India, focuses the ways in which customer service personnel engage in deep and surface acting to manage their identities when dealing with customers from different cultures.
Sponsor: Spears School of Business
PI/PDs: Debra L. Nelson
University of Georgia: Laura M. Little

Identity Management During Pregnancy: Strategies and Consequences
This long-term project explores the strategies used by women to manage their identities in the workplace during pregnancy and the outcomes of the process for women and for organizations.
Sponsor: Spears School of Business
PI/PDs: Debra L. Nelson
University of Georgia: Laura M. Little
Texas Tech University: Amanda Hinojosa

Generating Eustress at Work
In this project, we develop a model of eustress generation at work and provide directions for future research and suggestions for leaders who want to generate eustress through providing work challenges.
Sponsor: Spears School of Business
PI/PDs: Debra L. Nelson
University of Manchester: Cary Cooper
University of Texas at Arlington: Blake Hargrove

Social Category Diversity Promotes Pre-Meeting Elaboration: The Role of Relationship Focus
A purported downside of social category diversity is decreased relationship focus (i.e., one's focus on establishing a positive social bond with a coworker). However, we find that this lack of relationship focus serves as a central mechanism that improves information processing even prior to interaction and, ultimately, decision-making performance in diverse settings.
Sponsor: Northwestern University
PI/PDs: Cynthia S. Wang
MIT: Denise Lewin Loyd
Columbia University: Katherine W. Phillips
Ohio State University: Robert B. Lount

Starting High and Ending with Nothing: The Disadvantages of High Anchors in Negotiations
Much research suggests that negotiators gain value by making first offers. The current research shows that extremely high offers can be risky: on the one hand, extreme first offers offend their recipients, causing them to walk away. On the other hand, consistent with previous studies, extreme first offers help negotiators claim more value by anchoring counteroffers and final outcomes but only if impasses are avoided. Theoretically, this research highlights the complexities of anchoring effects.
Sponsor: London Business School
PI/PDs: Cynthia S. Wang
London Business School: Martin Schweinsberg, Gillian Ku, Madan Pillutla

The Effects of Culture and Friendship on Rewarding Honesty and Punishing Deception
The present research explores whether the type of relationship one holds with deceptive or honest actors 24 influences cross-cultural differences in reward and punishment. East Asians exhibit favoritism toward their friends by rewarding more than 28 punishing them, but reward and punish equally when the actors are strangers (Experiment 1 and 2); 29 Americans reward more than they punish regardless of the type of relationship (Experiment 2). We discuss the implications of these findings for understanding how friends 32 versus strangers are rewarded and punished in an increasingly relationally complex world.
Sponsor: National University of Singapore
PI/PDs: Cynthia S. Wang

Singapore Management University: Angela K.-y. Leung
National University of Singapore: Ya Hui Michelle See, Xiang Yu Gao

Culture, Control, and Illusory Pattern Perception
Lacking control causes illusory pattern perception, but does culture influence the patterns people perceive? Different cultural contexts invite distinct types of control, with people from Western cultures emphasizing primary control methods (i.e., personal agency) and people from East Asian cultures emphasizing secondary control methods (i.e., adjustment to surroundings). The authors isolate underlying mechanisms, demonstrating that, following loss of control, people high on primary control rely on self-focused horoscopes and people high on secondary control rely on horoscopes about friends. Thus, cultural differences in primary versus secondary control create unique signatures in pattern perception.
Sponsor: National University of Singapore
PI/PDs: Cynthia S. Wang
The University of Texas at Austin: Jennifer A. Whitson
Northwestern University: Tanya Menon

Understanding Negotiation Ethics
Negotiators often face difficult situations in which they must examine and understand their own and their counterparts' ethical standards. It is common for negotiators to face situations in which they believe that that their counterparts have acted unethically. We address various topics related to ethics using this framework, including how self-interest, norms, fairness biases, collective dilemmas, and cultural stereotypes affect the negotiation process and outcomes. As the business world continues to face great ethical challenges, understanding how to recognize and resolve ethical dilemmas becomes eminently important.
Sponsor:
PI/PDs: Cynthia S. Wang
National University of Singapore: Kelvin Pang

Retribution and Emotional Regulation: The Effects of Time Delay in Angry Economic Interactions
Individuals driven by negative emotions often punish non-cooperators at a cost to themselves. The current research demonstrates that, although time delays can attenuate this effect, they can also produce unintended consequences. People who engaged in a distraction task punished less; people who engaged in affective rumination punished more; and people who engaged in cognitive reappraisal were unaffected by a delay. These differences meant that, after a time delay, affective ruminators administered greater punishments than cognitive reappraisers or distracted individuals. Implications of these findings for managing punitive impulses via time delays are discussed.
Sponsor: National University of Singapore
PI/PDs: Cynthia S. Wang
University of Michigan: Niro Sivanathan
NUS Business School: Jayanth Narayanan
London Business School: Deshani B. Ganegoda
University of Central Florida: Monika Bauer, Galen V. Bodenhausen
Northwestern University: Keith Murnighan

A Multi-Lens Perspective on Rewarding Honesty and Punishing Deception
Reviews of research directly comparing positive and negative phenomena suggest that reactions to negative phenomena are substantially stronger than reactions to positive phenomena. I propose that

how people reward honesty and punish deception does not follow this negative bias. Instead, research has demonstrated that whereas evaluative reactions to a deceptive act are stronger than those to an honest act, behaviorally, when comparing how people reward honesty and punish deception, the same negatively-oriented asymmetry does not emerge. This paper provides a synthesizing perspective that parsimoniously integrates the findings comparing reactions to honesty and deception via cultural, relational, and socioecological lenses.
Sponsor:
PI/PD: Cynthia S. Wang

The Effects of One's Own Transgressions on Punitiveness
We examine how one's prior transgressions influence punitiveness towards others who have engaged in wrongdoing. Results from three studies demonstrate that individuals are less punitive when evaluating another person who has committed the identical transgression as they have in the past (blame avoidance hypothesis). However, the same individuals are more punitive towards others who have committed a different but comparable unethical act (scapegoating hypothesis). In line with moral disengagement theory, this effect was mediated by moral justification. We discuss implications for the field of behavioral ethics including theory and research on motivated moral reasoning, moral disengagement, and punishment.
Sponsor: University of Michigan
PI/PDs: Cynthia S. Wang
University of Michigan: David M. Mayer, Maddy Ong

Perspective-Taking and Approach: The Mediating Role of Bi-Directional Self-Other Overlap
Perspective-taking has been theorized to engender approach by increasing bi-directional self-other overlap (i.e., seeing the target as more "self-like" and seeing oneself as more "target-like"). Two experiments explore whether perspective-taking increases bi-directional self-other overlap, which then increases approach towards negatively-stereotyped targets. In Experiment 1, perspective-takers sat closer to a hooligan than did stereotype suppressors, with the self-becoming more target-like mediating this relationship. In Experiment 2, perspective-takers were more willing to approach a homeless man, with both the target becoming more self-like and the self-becoming more targets-like mediating this relationship. Our findings provide the first empirical evidence that perspective-taking increases approach by increasing bi-directional self-other overlap.
Sponsor: National University of Singapore
PI/PDs: Cynthia S. Wang
National University of Singapore: Kenneth Tai
London Business School: Gillian Ku
Northwestern University: Adam D. Galinsky

Perspective-Taking Reduces Stereotyping of Both Negative and Positive Targets
Perspective-taking has been demonstrated to reduce stereotyping for targets from negatively-stereotyped groups with negative traits. Using both negative and positive targets, both negative and positive traits, and both measures and manipulations of perspective-taking, three studies demonstrate that perspective-taking results in less stereotyping, regardless of the valence of the targets and traits. In addition, two studies demonstrate that perspective-taking results in more positive attitudes towards negative targets, but more negative attitudes towards positive targets. Our fifth study demonstrates that reduced stereotyping mediates perspective-taking's effects on attitudes towards positive and negative targets. Overall, the research provides a more complete understanding of perspective-taking's effects and mechanism.

Sponsor: National University of Singapore
PI/PDs: Cynthia S. Wang
London Business School: Gillian Ku
Northwestern University: Adam D. Galinsky
National University of Singapore: Kenneth Tai

A Comparison of Recipients' and Observers' Motivated Decisions to Reward Good Deeds and Punish Bad Deeds
Rewarding good behavior and punishing bad behavior are important, ubiquitous events. Theories of emotions suggest that observers will experience less extreme emotions than direct recipients of honesty or deception and will therefore reward and punish less than direct recipients. In contrast, models of social norms suggest that observers will administer stronger punishments but weaker rewards. Three experiments tested these contrasting predictions and showed that observers punished more but rewarded only marginally less than direct recipients, for both imagined and real monetary consequences, and that observers' and recipients' feelings of obligation mediated their differential punishment of dishonesty.
Sponsor: University of Texas–Austin
PI/PD: Cynthia S. Wang

The Importance of Women's Political Skill in Male-Dominated Organizations
The goal of this paper is to investigate the role of political skill on professional women's access to positions with authority in male dominated environments. Participants were 140 full-time lawyers with an average of 10 years of practicing law in a variety of law firms across the United States. In support of our hypotheses, we found that when working in male-dominated organizations, women with high levels of political skill fared better than women with low levels of political skill in terms of obtaining positions with authority. This research is the first to demonstrate the benefit of having political skill for women working in male-dominated organizations.
Sponsor: State of Oklahoma
PI/PDs: Alexis Nicole Smith
Northeastern University: Marla B. Watkins

The Ins and Outs of Diversity Management: The Effect of Authenticity on Outsider Perceptions and Insider Behaviors
We extend prior work by disentangling the effects of two aspects of diversity management – numerical diversity and authenticity of efforts – that may contribute to people's perceptions and behavior. Studies 1 and 2 revealed significant interactions suggesting that both demographic diversity and authentic attention to diversity management are necessary to create a reputation for genuine commitment to diversity and insulate organizations from perceptions of discrimination. The third study examined the effect of diversity management authenticity on insider employee interpersonal behaviors. Study 3 revealed that individuals enacted more interpersonal helping behaviors towards newcomers in more authentic organizations. Together these studies examine authenticity from both inside and outside the company.
Sponsor: State of Oklahoma
PI/PDs: Alexis Nicole Smith
University of Houston, Downtown: Whitney Botsford Morgan
George Mason University: Eden B. King, Chad I. Peddie
Rice University: Michelle R. Hebl

The Flirting Bias: The Influence of Gender on the Evaluations of Flirtatious Employees
This work examines the display of flirtatious behaviors used by men and women at work. Study 1 assesses what qualifies as flirtatious behaviors for men and women, and took preliminary measures of individuals' reactions to flirtatious behavior. In support of our hypothesis, female flirts received fewer reward recommendations than did male flirts. Study 2, will extend Study 2 by assessing observers' perceptions of competence, liking and attraction, and reward recommendations of specific male and female flirtatious behaviors.
Sponsors: State of Oklahoma
PI/PDs: Alexis Nicole Smith, Joongseo Kim, Ana Camara
Northeastern University: Marla B. Watkins

Model-Theoretic Knowledge Accumulation: The Case of Agency Theory and Incentive Alignment
The philosophy of science offers two different understandings of how empirical findings contribute to knowledge accumulation. The 'law-statement' perspective recognizes contributions to the extent that empirical research confirms or refutes general axioms of theory. Alternatively, the model-theoretic perspective recognizes contributions whenever research demonstrates models that better represent the real world. Management scholars often have limited awareness of the philosophical tradition underlying the model-theoretic perspective, and consequently, the field sometimes diminishes contributions from improved models of important phenomena. Drawing on model-theoretic philosophy, we classify three ways in which empirical research contributes to theoretical knowledge without necessarily verifying or falsifying theoretical axioms, through the grafting, contextualizing, and repurposing of representational models. We provide examples of each by focusing on several studies investigating incentive alignment. Finally, we discuss how the model-theoretic perspective can help management scholars to interpret and describe the theoretical contributions of empirical research.
Sponsor: Oklahoma State University
PI/PDs: Scott Johnson
University of Virginia: Jared Harris
University of Connecticut: David Souder.

Board Composition Beyond Independence: Social Capital, Human Capital, and Demographics
Alongside investigations that employ easily measured attributes such as independence or size has been a growing body of research based on the notion that directors bring with them a basket of experiences, skills, and other characteristics that also impact how these directors behave. We propose to provide a comprehensive review of all of the management literature that has investigated board characteristics beyond independence at both the individual director and collective board levels; provide a catalogue of the various measures used in this literature; and develop an agenda for board composition research going forward.
Sponsor: Oklahoma State University
PI/PDs: Scott Johnson
University of Missouri: Karen Schnatterly
University of Nevada–Reno: Aaron Hill

Haste Makes Waste: Hidden Costs of Exploiting Temporary External Growth Opportunities
We contrast organic firm growth – financed by operating cash flows, motivated by excess managerial capacity, and directed by routine decision-making – with inorganic growth motivated by a munificent environment. We study the decisions and consequences of Internet-related technology firms that had initial public offerings between 1996 and 2000.
Sponsors: University of Connecticut, Oklahoma State University

PI/PDs: Scott Johnson
University of Connecticut: David Souder, Michael Willenborg

The Role of Novelty in Knowledge Creation: Evidence from the Strategic Management Journal
We exploit the similarities between knowledge creation in firms and knowledge creation by scholars of management to analyze what makes codified knowledge useful for future knowledge creation. We show that articles have a greater impact when their authors simultaneously build on their own existing knowledge while also including references to work that they have not cited previously. We further show that articles have a greater impact when they build on knowledge known to the research community while introducing knowledge that is new to the research community.
Sponsor: Oklahoma State Univesity
PI/PDs: Scott Johnson, Tim Hart

When Thought Worlds Collide: How the Top Management Team Influences New Product Introductions
In this paper we explore the question of how decision-makers in a firm affect the timing and type of new products that are introduced. We address this question by building on the idea that the process of developing new products involves many parts of the organization. Individuals within the organization adopt different thought worlds, or systems of meaning that affect how they perceive information and prioritize activity. We find that field and planning thought worlds influence the customer base for which new products are introduced while the manufacturing thought world negatively influences new product introductions.
Sponsor: Oklahoma State University
PI/PDs: Scott Johnson, Jason Ridge, Aaron Hill

Investor Preferences for Board Independence: An Agency and Institutional Approach?
We examine of the portfolios of institutional investors to determine whether attributes of the board of directors affect purchasing decisions. The dataset includes over 500,000 investment decisions of 1205 institutional investors over a period of eight years. We test whether mutual funds (which face more institutional pressure) are more sensitive to board independence than other types of institutional investors.
Sponsors: Oklahoma State University, University of Missouri – Columbia
PI/PDs: Scott Johnson
University of Missouri–Columbia: Karen Schnatterly

Whistle-Blowing in the Classroom
Reporting academic integrity violations are similar yet different in some ways from whistle-blowing. Data from 229 business students show a set of demographic, personality, and attitudinal variables combine in a hierarchical regression yielding an adjusted R squared of .25 for report cheating. In press at:
Journal of Higher Education Theory and Research, 12, 5, 2012.
Sponsor: State of Oklahoma
PI/PDs: Thomas H. Stone, J.L. Kisamore, D. Kluemper, I.M. Jawahar

What Do We Know About Competency Modeling?
A review and survey of the use of competency modeling, a method of work analysis replacing traditional job analysis, was completed and submitted to the Society of Industrial Organizational Psychology conference and International Journal of Selection and Assessment.

Sponsor: State of Oklahoma
PI/PDS: Thomas H. Stone, Brian Webster, Stephen Schoonover

Measuring Academic Misconduct: Addressing Type and Severity of Offenses
Academic integrity research has implicitly assumed cheating and plagiarism is intentional. Preliminary data suggests student cheating can be categorized in three types: planned, opportunistic and panic. This study examines the prevalence of each type and its relationship to personality and demographic variables. Paper presented at the Midwest Academy of Management conference, October 4-6, Itasca, IL.
Sponsor: State of Oklahoma
PI/PDs: Thomas H. Stone
University of Oklahoma–Tulsa: Jennifer Kisamore
Ball State University: Jocelyn Holden
Illinois State University: Jim Jawahar

Challenging "Think Leader, Think Men" Research
Alice Eagly and others have argued for years that stereotypes of leaders are associated with masculine traits. We counter this with data from employees not students and performance ratings not stereotypes.
Sponsor: Oklahoma State University
PI/PDS: Thomas H. Stone, Brian Webster
York University: Jennifer Harrison
Hogan Assessments–Tulsa: Jeff Foster

Are Leaders Defined by Followers? Role of Follower's ILT and the Mediating Influence of LMX on Follower Outcomes
An assumption underlying most leadership theory and research is that leaders play an active role and followers a passive one. Drawing on self-verification theory and implicit leadership theories (ILT), we assert that follower's ILT influence perceptions of transformational leadership. In turn, both ILT and transformational leadership influence the development of high quality leader-member exchange (LMX) relationship. LMX is expected to mediate the influence of ILT and transformational leadership on follower's perceptions of organizational support, identification and turnover intentions. This model was tested in a longitudinal field study with data from 210 newly hired hospital employees Results of structural equations modeling provided strong support for the mediating influence of LMX.
Sponsors: State of Illinois
PI/PDs: Thomas H. Stone
Illinois State University: Douglas Rahn, Jim Jawahar

The Impact of Individual Behaviors on Absorptive Capacity
Absorptive capacity refers to the degree to which firms are able to identify, acquire and exploit external knowledge. While individuals are integrally involved in organizational learning, the role of individuals in developing absorptive capacity has been largely ignored. In this paper, we propose that specific types of individual behaviors (ie, proactivity, adaptivity and proficiency) impact the firm's capability to extract knowledge from its environment, make sense of that information, and incorporate it into its operations in ways that create valuable resource positions that may lead to competitive advantage.
Sponsors: Southern Mississippi University, Oklahoma State University
PI/PDs: Timothy A. Hart
Southern Mississippi University: Bruce Gilstrap

An Examination of the Relationship between Executive Compensation Disparity and Corporate Social Performance
In this paper, we investigate the relationship between executive compensation and corporate social performance. We find that at higher levels of compensation disparity, corporate social performance decreases. These relationships are moderated by the financial performance and the size of firms.
Sponsors: Oklahoma State University, American University
PI/PDs: Timothy A. Hart, Corey J. Fox
American University: Parthiban David, Michelle Westerman-Behaylo

Too New to Be True? An Investigation of the Relationship between New Citations and Article Impact in the Strategic Management Journal
In this paper, we investigate the degree to which the inclusion of new citations within a scholarly article impacts the degree to which that article is later cited by other scholarly works. We find that when authors include citations to works that have not previously been cited within the Strategic Management Journal (SMJ), that the frequency with which that article is then cited by future SMJ articles is far less than the degree to which such work is later cited by other journals. We discuss what these findings mean for SMJ.
Sponsor: Oklahoma State University
PI/PDs: Timothy A. Hart, Scott Johnson, Corey Fox

What Matters More in Innovation - Experience or Size?
In this paper, we investigate the role of prior innovation experience on future exploratory and exploitative innovation activities and how firm size moderates those relationships. Preliminary results suggest that there is a negative relationship between prior exploration (and exploitation) and future exploitation (and exploration).
Sponsor: Oklahoma State University
PI/PDs: Timothy A. Hart, Bessie Shao

An Investigation into CEO Age and Equity Ownership and Their Influence on Exploration and Exploitation
In this paper, I examine the influence of CEO age and equity ownership on the degree to which firms explore for new knowledge or exploit knowledge they currently possess. I find that older executives with greater equity stakes in their firms favor greater use of new knowledge, while younger executives with less equity stakes favor exploiting currently held knowledge.
Sponsor: Oklahoma State University
PI/PD: Timothy A. Hart

An Examination of the Curvilinear Relationships between Organizational Financial Slack Resources, Search Scope, and Search Depth
We examine the relationship between organizational slack and search scope and search depth. According to prior research, there is a curvilinear (inverse U-shape) relationship between slack and innovation. We find such a relationship between organizational slack and exploratory search activities of firms. However, we find a normal U-shape curvilinear relationship between organizational slack and exploitative search activities of firms. These findings suggest that organizational slack does not have a uniform impact upon innovation arising from different types of firms' search activities. Rather, depending upon the type of innovation firms desire to generate, firms may choose to increase or decrease their levels of organizational slack.
Sponsor: Oklahoma State University

PI/PDs: Timothy A. Hart
American University: Parthiban David

New Rubrics for Gauging Critical Thinking of Business Students
Critical thinking (CT) is a complex, multidimensional concept that presents a diversity of academic views. Thus, the development of rubrics to measure it may reflect implicit assumptions based on our personal views. This paper covers previous research on assessing CT in higher education and the use of CT rubrics, and suggests designing rubrics that can serve our business colleagues more appropriately than our general, most common rubrics. We propose that assessing critical thinking can be a function of individual's instructional goals and offer how such assessment is advantageous to our students and ourselves.
Sponsor: Oklahoma State University
PI/PDs: Chalmer Labig
University Testing and Assessment: Mark Nicholas

DEPARTMENT OF MANAGEMENT SCIENCE AND INFORMATION SYSTEMS

Entrepreneurial and Managerial Behavioral Changes Across Generations
The objective of this paper is to investigate and analyze hypothesized differences between entrepreneurial behavior and managerial behavior from one 25-year generation to the next. This alternating behavior is hypothesized to underlie the growth pole cycle pattern of economic growth and development.
Sponsor: State of Oklahoma
PI/PDs: Orley Amos Jr., Tim Ireland

Ammunition Multimedia Encyclopedia (AME)
One mission of the Defense Ammunitions Center (DAC) is to provide training on the storage, transport, and handling of munitions. This includes initial training as well as periodic follow-on training as new munitions are developed and shipped to the field. The goal of AME is to provide a comprehensive "one stop shop" to support personnel handling munitions. It provides an encyclopedia of currently used munitions which can be used for identification and refresher training.
Sponsor: Defense Ammunitions Center
PI/PDs: Ramesh Sharda, Joyce Lucca, David Biros, Jason Nichols

RFID for Better Manufacturing through Enhanced Information Visibility
Adoption and implementation of the RFID technology in manufacturing is growing rapidly. One puzzling issue for manufacturers is the compelling business case for RFID. We study how such information can be valuable to a manufacturer. We also discuss the initial lessons learned from actual RFID data collected in the field.
Sponsor: State of Oklahoma
PI/PDs: Ramesh Sharda, Jongsawas Chongwatpol

How to Predict a Movie's Success at the Box Office
Based on neural networks, the model attempts to classify a movie into one of nine categories, ranging from a "flop" to a "blockbuster." Key factors used in the classification include MPAA rating, expected release month, star value, genre, level of special/technical effects, number of screens the movie opens

on, and whether or not it is a sequel. The research now focuses on use of text mining in the forecasting process.
Sponsor: State of Oklahoma
PI/PDs: Ramesh Sharda, Dursun Delen

Impact of Frequency of Alignment of Physical and Information System Inventories On Out of Stocks
Inaccuracy in the information system inventory as compared to the physical inventory may lead to out of stocks. One way to reduce this inaccuracy is to adjust the inventory information in the systems at some regular frequency. Such alignments are quite expensive in practice. Thus, how often to align the two inventories is the focus of this research.
Sponsor: State of Oklahoma
PI/PDs: PM Agrawal, Ramesh Sharda

Quantum Model of Human Decision Making, and Merger and Acquisition of Business Firms
Some experiments, such as disjunction effect experiments of Tversky and Shafir (1992), related with the human decision making processes could not be explained by the conventional classical decision theory but the same could be explained by the models based on quantum mechanics. Further the possibility of application of the quantum theory to the business related decisions, such as the merger/acquisition of business firms is also being explored.
Sponsor: State of Oklahoma
PI/PDs: PM Agrawal, Ramesh Sharda, Joel Harper

Big Date Analytics in Health Care
We are implementing a Big Data platform to understand the technology issues as well as research implications for use of Big Data in healthcare problems.
Sponsor: State of Oklahoma
PI/PDs: Ramesh Sharda, Daniel Asamoah

Analysis of Social Media Interactions
We aim to model the stochastic nature of social media interactions, especially as it relates to discussion about specific brands and products.
Sponsor: State of Oklahoma
PI/PDs: Ramesh Sharda, Amir Hassa Zadeh

Evaluating the Impact of the Nature of Lot-Sizing Rules on MRP System Performance
The purpose of this paper is to examine these general perceptions regarding the effect of the "nature" (static vs. dynamic) of lot-sizing rule on system performance of MRP system via induced system nervousness by a simulation study.
Sponsor: State of Oklahoma
PI/PD: David Ho

Wisdom Computing: Toward a Framework for Wisdom Research in Information Systems
Wisdom sits atop the knowledge pyramid in the Information Systems (IS) literature. Yet there has been little research on wisdom in the IS field despite the need to transform knowledge to wisdom. Wisdom computing is concerned with the design, management, use, and implications of information technologies for discovering, creating, sharing, and supporting wisdom, and may be conceived as part of an emerging area of wisdom management. We outline a framework for wisdom research for IS and explore research themes for this critically relevant phenomenon.

Sponsor: State of Oklahoma
PI/PDs: Nikunj Dalal

Rapid Digital Game Creation for Learning
A large body of research from multiple fields demonstrates the power of digital games in learning. This work is about the learning that occurs from making games, rather than from playing games. We describe the use of Rapid Digital Game Creation (RDGC) for learning and teaching purposes. RDGC involves the rapid building of digital games with high-level software that requires little or no programming knowledge. Using a theoretical framework of constructionism, we discuss pedagogical guidelines for RDGC-based learning.
Sponsor: State of Oklahoma
PI/PDs: Nikunj Dalal
College of Arts and Sciences: Subhash Kak
College of Engineering: Sohum Sohoni

DEPARTMENT OF MARKETING

Analysis of Clickstream Data Using SAS
Analyzing Web data has become a must-have for businesses. Significant research has been done in studying clickstream data to understand the navigation behavior of users after visiting a Web site. Analyzing clickstream data is not easy for most companies because Web logs are stored in a form that is not suited for analysis. Before any meaningful analysis can be done, much effort is spent in transforming server logs to the right form so that they can be analyzed. This is one of the reasons why companies often use third-party services (such as Webtrends, Adobe, or Google Analytics) to analyze their Web log data. This paper demonstrates applying SAS macro programming to prepare a SAS data set from raw Web logs and to generate summary reports.
Sponsor: State of Oklahoma.
PI/PDs: Sumit Sukhwani, Satish Garla, Goutam Chakraborty,

Classification of Customers' Textual Responses Via Application of Topic Mining
Customer satisfaction surveys play a vital role in monitoring business performances in most industries. Typically, customer satisfaction surveys are a blend of closed-end questions (numeric responses) and open-ended questions (textual) leading to a collection of structured and unstructured data. Textual comments are generally cumbersome and time consuming to summarize and analyze. Sometimes, businesses use experts to rate unstructured data to understand the nature and the valence of customers' responses. In this paper we illustrate the application of Topic Mining, using SAS® Text Miner; to first categorize customers' responses collected via a survey of customers of a B2B (business-to-business) company. Then, we use the topics to build a predictive model to automatically classify the responses into negative versus non-negative categories. The best predictive model had a sensitivity of 93% and a misclassification rate of 12% in the validation data. In addition to generating excellent predictions, the topics identified in this analysis also revealed valuable insights about the operational performances of the B2B Company.
Sponsor: State of Oklahoma.
PI/PDs: Anil Kumar Pantangi, Goutam Chakraborty

Application of Time Series Clustering Using SAS® Enterprise Miner for a Retail Chain
Much of the data that are generated in the operational side of a business have a built-in time dimension. One of the challenges of doing data mining using such time-series data is the complexity of handling a large number of time series. Time series clustering provides a way to reduce the complexity by categorizing large number of time series into a smaller subset such that series within each subset are relatively homogenous but series between subsets are heterogeneous. SAS® has recently introduced new nodes for finding similarities between the time series and to forecast their future trajectories. In this paper, we demonstrate clustering of store-level revenue over time and how profiling of such clusters generate additional business insights.
Sponsor: State of Oklahoma.
PI/PDs: Karthik Nakkeeran, Satish Garla, Goutam Chakraborty

SAS since 1976: An Application of Text Mining to Reveal Trends
Many organizations across the world have already realized the benefits of text mining to derive valuable insights from unstructured data. While text mining has been mainly used for information retrieval and text categorization, in recent years text mining is also being used for discovering trends in textual data. Given a set of documents with a time stamp, text mining can be used to identify trends of different topics that exist in the text and how they change over time. We apply Text Mining using SAS® Text Miner 4.3 to discover trends in the usage of SAS tools in various industries via analyzing all 8,429 abstracts published in SUGI/SAS Global Forum from 1976 to 2011. Results of our analysis clearly show a varying trend in the representation of various industries in the conference proceedings from decade to decade. We also observed a significant difference in the association of key concepts related to statistics or modeling during the four decades. We show how %TMFILTER macro combined with PERL regular expressions can be used to extract required sections (such as abstract) of text from a large corpus of similar documents. A SAS macro developed for this research, %SAS1976, can be adopted to analyze papers published in any conference provided the conference papers are accessible in common formats such as .doc, .pdf, .txt, etc..
Sponsor: State of Oklahoma.
PI/PDs: Zubair Shaik, Satish Garla, Goutam Chakraborty

Easily Add Significance Testing to Your Market Basket Analysis in SAS Enterprise Miner
Market Basket Analysis is a popular data mining tool that can be used to search through data to find patterns of co-occurrence among objects. It is an algorithmic process that generates business rules and several metrics for each business rule such as support, confidence and lift that help researchers identify "interesting" patterns. Although useful, these popular metrics do not incorporate traditional significance testing. This paper describes how to easily add a well-known statistical significance test, the Pearson's Chi Squared statistic, to the existing output generated by SAS® Enterprise Miner's Association Node. The addition of this significance test enhances the ability of data analysts to make better decisions about which business rules are likely to be more useful.
Sponsor: State of Oklahoma.
PI/PDs: Michael Faron, Goutam Chakraborty

Analyzing Sentiments in Tweets about Wal-Mart's Gender Discrimination Lawsuit Verdict Using SAS Text Miner
Social Media has gained considerable attention as a valuable source to monitor customers and public reactions following corporate events. Especially the Tweets posted on Twitter are often used to spot trends, moods and sentiments of customers and public. Given the huge volume of tweets that gets posted every day, it is extremely difficult for firms to spot current trends related to public's expressed

sentiments about activities of the firm in the tweets. This paper demonstrates the application of a SAS® macro (%GetTweet) to collect and summarize tweets and then an application of sentiment analysis on the fetched tweets using SAS Text Miner using directed search and summarization of specific text items.
Sponsor: State of Oklahoma.
PI/PDs: Hari Hara Sudan, Satish Garla, Goutam Chakraborty

Social Network Use and the Role of Rituals in Online Communities
This research investigates the nature and meaning of rituals within an online community. We examine the rituals that are being engaged in among online social network users, and the importance of these rituals for building continued participation. We further explore how the rituals engaged in change over time and length of Facebook community membership.
Sponsor: Oklahoma State University
PIs: Marlys Mason, Darrell Bartholomew

At-Risk Adolescence and a Participatory Approach to Behavior Change
This work examines youth risk research to identify general knowledge gaps and shortcomings that may be limiting the positive impact of research-based efforts to promote youth well-being. The study proposes alternative approaches that address these gaps and shortcomings in particular with recognition of the social contexts of both risks and the programs designed to address those risks. A distinctive foundation for a participatory approach to understanding youth risk behavior is developed.
Sponsors: Oklahoma State University, Baylor University
PIs: Marlys Mason, Jeff Tanner

Marketplace Adaptation in Youth with Disability
This research examines the ways that families with a disabled member adapt in the marketplace. These families provide a window into structural assumptions and constraints of the market that may not be consciously identified by the able bodied.
Sponsor: Oklahoma State University, University of Utah
PIs: Marlys Mason,
University of Utah: Teresa Pavia

Market Orientation and Innovation Performance: The Moderating Roles of Firm Ownership Structures
The effect of market orientation on firm innovation performance remains equivocal. Drawing on agency theory, the authors identify three relevant aspects of firm ownership structures that may influence the strength of the relationship between market orientation and innovation performance. A merged dataset consisting of 242 publicly-traded firms on stock markets in China is used to test our framework. The findings confirm the positive relationship between market orientation and firm innovation performance. More importantly, the results find that the relationship between market orientation and innovation performance varies across different ownership structures (i.e., identity of the dominant shareholder, managerial ownership, and ownership concentration).
Sponsor:
PI/PDs: Yinghong (Susan) Wei, Jing Song, Rui Wang

Do Organic Cultures Really Matter in Marketing?
We investigate how organic cultures (i.e., adhocracy and clan) serve as a strategic resource to influence marketing effectiveness and performance in an emerging economy, using an extended form of resource-based view as our theoretical framework. We posit that organic cultures serve as antecedents of competitive advantage and superior performance. We selected China as the context to test the veracity

of our model and use multiple informants and archival performance data to minimize common method variance. Our results demonstrate that organic cultures impact market responsiveness, while confirming the critical roles of market responsiveness and product strategy change in producing superior performance.
Sponsor:
PI/PDs: Yinghong (Susan) Wei, Saeed Samiee, Ruby P. Lee

An Investigation into Three Types of Stakeholder Orientations in a Transition Economy: From Customer, Employee, To Societal Orientations
Previous research has not examined adequately what other stakeholder orientations can complement customer orientation to create superior firm value. This pioneer study investigates how a firm's orientation toward two additional stakeholders, employees and society, can moderate the effect of customer orientation. Using archival financial data and surveying multiple informants of 180 firms in China, this study extends the market orientation and RBV literature by providing important evidence to demonstrate that employee orientation and societal orientation, along with customer orientation, are critical resources complement each other and that through employee satisfaction and organizational innovativeness, positive performance outcomes could result.
Sponsor:
PI/PDs: Yinghong (Susan) Wei, Ruby P. Lee

Is Customer Orientation Enough? A Multi-Perspective Analysis
Prior research has shown positive effects of customer orientation on performance outcomes and service worker attitudes. This project investigates the degree to which the effects of service worker customer orientation on multiple outcomes (i.e., supervisor performance ratings, self-ratings, customer satisfaction, objective performance) may be mediated through a worker's productivity orientation.
Sponsor: State of Oklahoma
PI/PDs: Tom Brown, John Mowen
Pittsburg State University: Eric Harris

Internal Effects of Company Reputation on the Sales Force
This project demonstrates the influence of company identity and construed image on sales consultant self-efficacy, motivation, and the resulting selling effort. Most projects have examined the role of reputation on external audiences; this is one of the first to examine the effects on marketing personnel inside the organization.
Sponsor: State of Oklahoma
PI/PDs: Tom Brown
Queen's University: Peter Dacin
Erasmus University Rotterdam: Guido Berens
Rollins College: Greg Marshall

Package Similarity: A Double-Edged Sword for Private Label Brands
In this project we examine a common tactic used by retailers with their private label brands: using packaging that is a near copy of the associated manufacturer's brand. Our results indicate that although the practice leads to positive spillover of manufacturer brand attributes onto the store brand, there is an associated negative effect on consumer evaluations of the store brand.
Sponsor: State of Oklahoma
PI/PDs: Tom Brown
Waterford Institute of Technology (Ireland): Susan Whelan

University of Maryland: Amna Kirmani
Manchester Business School (Great Britain): Gary Davies

Attracting Customer-Oriented Service Workers Via Recruitment Advertising: An Application of Person-Situation Interaction
In this project we examine the degree to which slight changes in recruiting advertisements can influence ability to attract service workers who are high in customer orientation.
Sponsor: State of Oklahoma
PI/PDs: Tom Brown
Waterford Institute of Technology (Ireland): John Power, Susan Whelan

The Interplay of Industry and Company Reputation
Despite its obvious importance to managers and interest among scholars, there is little empirical work on the influence of industry reputation on a specific company's reputation (and vice versa). In addition, no one to date has considered the potential role of industry reputation as a context for the evaluation of company reputation or as a moderator on the influence of company reputation on company performance outcomes. This project seeks to address these issues using a combination of secondary and primary data.
Sponsor: State of Oklahoma
PI/PDs: Tom Brown, Alex Zablah
Queen's University: Peter Dacin
University of Arizona: Sabrina Helm