



Robert J. Trulaske, Sr.  
College of Business  
University of Missouri

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# THE LEAD

A Trulaske publication that spotlights leading research and game-changing insights shaping business futures.



Mizzou's Trulaske College of Business champions transformative thought leadership through groundbreaking research that empowers business leaders to shape the future. THE LEAD spotlights breakthrough innovations from our pioneering researchers, igniting bold thinking for visionary professionals ready to define tomorrow's business landscape.



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## WELCOME FROM THE DEAN

At the Robert J. Trulaske Sr. College of Business, we champion research that doesn't just advance academic disciplines—we create breakthrough insights that revolutionize how business is done tomorrow.

As you explore this inaugural issue of THE LEAD, you'll discover why supporting faculty research transforms everything we touch. Our faculty aren't just thought leaders—they're architects of the future, bringing cutting-edge thinking into our classrooms. This dynamic exchange ignites our students' potential, preparing them to lead in a rapidly evolving world.

Your partnership empowers our faculty to push boundaries, drive innovation, and shape the very fabric of business and society. Together, we're not just generating knowledge—we're creating the blueprint for what's next.

Thank you for believing in our mission to transform ideas into impact.

A handwritten signature in black ink, appearing to read "Balaji".

## WHAT'S NEXT IN BUSINESS INNOVATION

We are proud to showcase the innovative research conducted by our exceptional faculty. This publication highlights scholarship that deepens understanding of today's business landscape and offers solutions with real-world relevance.

Our faculty's work provides insights that influence policy, strengthens organizations, and helps prepare the next generation of business leaders. These studies reflect Trulaske's commitment to connecting academic expertise with practical application, ensuring that ideas generated here make a meaningful difference beyond campus.

A handwritten signature in black ink, appearing to read "Marsha Richins".

# INNOV8

## 8 TAKEAWAYS TO LEAD CHANGE

- 1** Financial misreporting can signal a recession. Learning to recognize the red flags can produce better hedging strategies and improve your portfolio allocation. Story on page 2.
- 2** When it comes to B2B advertising, it's all about the long game. Learn how to maximize your B2B marketing strategy on page 5.
- 3** Implementing the right strategy can help ensure sales emails are closing deals. Check out our story on page 7 for insights.
- 4** Research shows an executive's behavior in their private life is connected to their professional actions. Visit our story on page 10 to find out what impact this discovery has on the auditing process.
- 5** While stronger SEC oversight might be viewed as a constraint, it can actually benefit global borrowers. For more, see page 12.
- 6** The long-term safety of stocks might be overstated. Find out why and get tips to protect your investments in our story on page 15.
- 7** Organizations that participate in political activities could experience changes to their pool of job applicants. Learn more on page 16.
- 8** You might be underestimating the power that informal leaders wield in your organization. Read more on page 19.

# 1 THE HIDDEN RED FLAGS: HOW FINANCIAL MISREPORTING CAN SIGNAL A RECESSION

*The University of Missouri's Robert J. Trulasko, Sr. College of Business would like to thank KPMG and Andersen alumni for helping to make research like this possible.*

When most economists try to forecast a recession, they turn to familiar tools: unemployment rates, interest rate spreads or consumer sentiment. Yet a recent study from researchers at the **School of Accountancy at the University of Missouri's Robert J. Trulasko, Sr. College of Business** uncovered a new and strikingly predictive indicator: the collective behavior of corporate misreporting.

The paper suggests that the accumulation of financial misreporting across publicly traded firms serves as a systemic red flag, revealing underlying market vulnerabilities. This aggregated “misreporting intensity” offers a previously untapped signal for forecasting U.S. recessions and GDP declines well in advance.

This insight comes from a study by **Matthew Glendening, Trulasko's Andersen Alumni/Joseph A. Silvosio Distinguished Professor, and Ken Shaw, Trulasko's KPMG/Joseph A. Silvosio Distinguished Professor.**

## FROM MICRO TO MACRO: A NEW LENS ON MISREPORTING

Financial misreporting is typically seen as a micro-level issue, simply an isolated case of unethical behavior by a firm or a rogue executive. But what if, when viewed in the aggregate, these deceptive practices told a bigger story? Glendening and Shaw propose just that.

“We were inspired by a simple but overlooked idea: Accounting fraud doesn't just harm a firm's investors, but it can have costly ripple effects for the broader economy,” Glendening said. “Public companies report financial performance so that market participants, including peer firms, can make informed decisions. When that information is manipulated, it leads to widespread misallocation of resources. Our study explores whether the cumulative effect of these distortions can help predict macroeconomic downturns.”

Why does corporate deception rise before a recession?

“The intuition is that when times are good, investors perform less monitoring of firms, which enables firms to use more aggressive accounting assumptions. Eventually the economy weakens and growth slows,” Shaw said. “Thus, there is a predicted positive relation between aggregate financial misreporting and GDP growth.”

## FORECASTING ECONOMIC SLOWDOWNS: A NEW TOOLKIT

Using data from U.S. public firms from 1988 to 2020, they estimated the probability that each firm in a given quarter was likely misreporting. These probabilities were then aggregated into a macroeconomic-level variable: misreporting intensity.

The core hypothesis? As the number of firms likely engaged in misreporting rises, the broader economy is predicted to slow or enter recession.

The results are striking: A behavior usually viewed as firm-specific — misleading the public about financial performance — has macroeconomic predictive power when aggregated.

“We found that aggregate misreporting predicted recessions five to eight quarters ahead, even after accounting for traditional indicators such as the yield curve and stock market returns,” Glendening said. “This reinforced the idea that accounting fraud is not just a firm-level issue; it can have meaningful macroeconomic implications.”

“This suggests a need for a contrarian and skeptical mindset.

A sunny day is the time to at least consider when the next cloud burst will arrive. Understanding accounting estimates is important even for non-accountants.”

— Ken Shaw

In addition to predicting recessions, the study found that misreporting intensity helps explain variation in future GDP growth. Specifically, periods of high misreporting are followed by slower-than-average GDP growth up to eight quarters ahead. The measure added insights beyond traditional predictors like the widely-used yield spread, market returns and volatility, investor sentiment and aggregate corporate earnings.

**Bottom line: Financial misreporting, when aggregated, could serve as a robust input to macroeconomic forecasting models.**

**IMPLICATIONS FOR INVESTORS AND POLICYMAKERS**

These findings open up new avenues for both investors and policymakers.

“The quality of financial reporting hinges on executives making good accounting estimates,” Shaw said. “This paper adds to a body of work that Matt and I have done which suggests more transparency and detailed disclosures around accounting estimates could be beneficial.”

For asset managers and analysts, misreporting intensity may offer a novel leading indicator to inform portfolio allocation, hedging strategies or risk exposure assessments. While no single metric should drive decision-making, combining traditional market data with signals from the corporate reporting ecosystem could create a more nuanced picture of macro risk.

“Professional investors often focus on firm-level financial red flags, but our results suggest that monitoring aggregate fraud risk across the market can improve forecasts of macroeconomic slowdowns,” Glendening said. “This insight may be especially useful for asset allocators looking to reduce exposure during periods of heightened recession risk.”

For regulators and policymakers, the study raises questions about the broader impact of lax reporting environments. If higher misreporting portends economic contraction, then enforcing stricter accounting oversight may not just improve transparency — it may also enhance economic stability.

“Our research is relevant to accounting oversight bodies because it suggests ensuring high-quality financial reporting is a proactive way to support market discipline and economic stability,” Glendening said. “By the time misreporting comes to light, it may have already contributed to broader economic instability.”



The results also imply that misreporting is not just a reflection of bad apples, but an emergent property of a stressed system. Monitoring it could help regulators anticipate where systemic weaknesses are forming, even if markets haven’t yet priced them in.

**FINAL THOUGHTS:**

The research from Trulaske shows that when the aggregate level of financial misreporting is high, future economic growth is low. This is driven in part by lax monitoring by investors when times are good.

“This suggests a need for a contrarian and skeptical mindset,” Shaw said. “A sunny day is the time to at least consider when the next cloud burst will arrive. Understanding accounting estimates is important even for non-accountants.”

**“Aggregate Financial Misreporting and the Predictability of U.S. Recessions and GDP Growth” was co-authored by Messod D. Beneish and David B. Farber. The article appeared in the “The Accounting Review.”**

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# HIDDEN POWER

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# UNLOCKING B2B ADVERTISING'S HIDDEN POWER: LONG LAGS, LARGE RETURNS

For decades, the conventional wisdom in marketing has been that business-to-business (B2B) advertising plays a secondary role to direct sales, especially for high-value, complex products. Academic research has largely focused on consumer advertising, leaving B2B marketers with limited empirical guidance. However, **Michael Thomas, an assistant professor of marketing at the University of Missouri's Robert J. Trulaske, Sr., College of Business**, is challenging this long-held belief.

In his recent research, soon to be published in "Management Science," Thomas sheds critical light on the effectiveness of digital display advertising for high-involvement B2B products. This study, conducted in partnership with a semiconductor manufacturer, tracked the impact of advertising on purchases of electronic components — products that are crucial, complex and involve extensive evaluation by teams of engineers and professional buyers. The findings offer profound implications for how B2B companies should strategize their advertising investments.

## THE SURPRISING POWER OF B2B DIGITAL ADS

The study's most striking finding is the sheer magnitude of the return on ad spend (ROAS). For every dollar invested in digital display advertising, the semiconductor manufacturer saw an average return of \$12 (with a 95% confidence interval of \$4.80 to \$24.50) over the year following an ad. This translates to an advertising elasticity of 0.71, a figure that far surpasses typical ROAS and elasticity estimates found in consumer advertising literature, which often hover around \$2.50 or elasticities below 0.30.

This robust return suggests that even for products requiring deep technical understanding and significant investment, advertising can effectively inform and influence purchasing decisions. Despite the rigorous evaluation processes, the information conveyed through ads appears to resonate deeply with professional buyers, leading to substantial revenue generation.

## THE LONG GAME: UNDERSTANDING LAGGED RESPONSES

One of the most critical distinctions uncovered by this research is the extended time horizon over which B2B advertising effects materialize.

Unlike consumer ads, where impact often fades within weeks, B2B advertising for high-involvement products demonstrates long lags between ad exposure and purchase.

**First-time purchases:** The lift in first-time purchases lagged ad exposure by 1 to 5 months. This delay aligns with the complex product development and evaluation cycles common in B2B environments, where decisions involve multiple stakeholders and extensive due diligence.

**Repeat purchases:** Even more remarkably, the lift in repeat purchases extended 5 to 12 months or longer after an ad was shown. In fact, less than half of the advertising-generated revenue was accrued within the first three months. This suggests that the initial ad exposure can trigger a long-term relationship, leading to sustained revenue streams from recurring orders.

This extended lag has significant implications for how B2B companies measure and evaluate their advertising campaigns. Short-term metrics, while useful for immediate engagement (like website visits, which showed an immediate lift), will fail to capture the true, long-term financial impact of B2B advertising.

## WHO RESPONDS? THE POWER OF EXISTING CUSTOMERS

The study also challenges the consumer-centric notion that advertising primarily drives new customer acquisition. In this B2B context, the research found that existing business customers were responsible for the majority of the advertising returns.

However, a deeper dive revealed a nuanced picture: This lift from existing customers wasn't from them buying products they already regularly purchased. Instead, it was driven by existing customers purchasing new part numbers — likely for new applications or projects. The sequence of events appears to be:

1. An ad nudges an existing business customer to explore a new component from a familiar vendor.
2. Once this new component is "designed in" or approved, it leads to subsequent, recurring purchases of that specific new part number.

This suggests that B2B advertising can be a powerful tool for expanding wallet share within existing accounts by introducing new solutions or tech and informing even your current client base about your broader product portfolio.

## KEY TAKEAWAYS FOR BUSINESS LEADERS:

1. **Embrace the long view:** Shift your B2B advertising measurement beyond immediate clicks and short-term sales. Recognize that significant ROAS for high-involvement products will materialize over months, even a year or more. Implement measurement frameworks that track long-term revenue attribution.

> **Actionable Tip:** Consider multi-touch attribution models that account for extended conversion windows. Don't pull the plug on campaigns too early if immediate sales aren't skyrocketing.

2. **Invest in digital display advertising:** The study provides strong causal evidence that digital display advertising can be highly effective in B2B markets, traditionally dominated by sales teams. It's not just about lead generation; it's about influencing complex purchase decisions and driving substantial revenue.

> **Actionable Tip:** Re-evaluate your marketing budget allocation. Are you underinvesting in digital advertising channels, particularly display ads, given their potential for high returns?

3. **Target existing customers for growth:** Don't solely focus your advertising efforts on acquiring new logos. Your existing customer base represents a fertile ground for growth. Use advertising to inform them about new products, technologies or applications that can solve their evolving needs.

> **Actionable Tip:** Segment your advertising campaigns to specifically target existing customers with relevant new product offerings. Leverage your CRM data to personalize these messages.

4. **Rethink experimental design:** For companies looking to rigorously test their B2B advertising effectiveness, traditional cross-sectional experiments may not be sufficient due to long purchase cycles. Incorporating switchback experimental designs that randomize the timing of ad delivery across geographies can significantly improve the precision of your ROAS estimates and help uncover the true lagged effects.

> **Actionable Tip:** Work with your analytics and marketing science teams to design experiments that account for the inherent delays in B2B purchasing.

**The future of B2B marketing demands a shift in perspective — from short-term, sales-centric views to a more patient, data-driven approach that recognizes the hidden power of advertising to drive long-term growth.**

5. **Advocate for accounting modernization:** The current GAAP guidelines, which often require advertising expenses to be expensed in the quarter they are incurred, may disincentivize profitable long-term B2B advertising. Business leaders should advocate for accounting standards that recognize the demonstrably long purchase delays in certain industries.

> **Actionable Tip:** Be prepared to educate financial stakeholders within your organization about the long-term nature of B2B advertising returns and its implications for financial reporting.

## FINAL THOUGHTS:

This groundbreaking research offers a compelling case for the strategic importance of digital advertising in the B2B landscape. By understanding the unique dynamics of long lags and the significant role of existing customers, business leaders can unlock substantial, often overlooked, revenue opportunities. The future of B2B marketing demands a shift in perspective — from short-term, sales-centric views to a more patient, data-driven approach that recognizes the hidden power of advertising to drive long-term growth.

*Thomas' study, "Long Lags and Large Returns: Experimental Evidence from Advertising to Businesses," was co-authored by Marcel Goic and Kirthi Kalyanam. It will appear in "Management Science."*

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## WHY YOUR SALES EMAILS AREN'T CLOSING DEALS — AND HOW TO FIX THEM

*The University of Missouri's Robert J. Trulaske, Sr. College of Business would like to thank Samuel M. Walton for helping to make research like this possible.*

With the rise of remote work and digital communication, email has become a central platform for business-to-business (B2B) sales negotiations. As much as 80% of B2B sales negotiations in the U.S. are now conducted over email. This shift raises a critical question: How can salespeople be persuasive without the benefit of face-to-face interaction?

**Detelina Marinova, the Samuel M. Walton Distinguished Professor of Marketing at the Robert J. Trulaske, Sr. College of Business at the University of Missouri,** explored how salespeople can successfully influence buyers and win contracts in these email negotiations (also known as “e-negotiations”). The key? It's not just about what salespeople say, but how they say it — and how well they manage the buyer's attention throughout the process.

### THE MISSING METRIC: BUYER ATTENTION

“I was inspired to conduct this research after speaking with sales managers and salespeople who shared that much of B2B sales negotiations are shifting to digital channels (email) and they are concerned that they feel unprepared to handle buyers,” Marinova said. “Sales strategies that work face-to-face do not necessarily work in email negotiations.”

In face-to-face interactions, sellers can lean on emotional cues and real-time feedback. Email removes that safety net. And while email offers advantages like speed, documentation and transparency, it also makes it easy for buyers to disengage. That's why attention becomes the leading predictor of success.

Marinova's study found that when a buyer's attention increases by just one standard deviation, their likelihood of awarding a contract jumps sevenfold — translating into a potential \$37 million revenue increase in the company highlighted in the studied.

## INFLUENCE TACTICS THAT WORK (AND THOSE THAT DON'T)

Marinova identified two main categories of influence tactics used in sales emails:

**Internalization Tactics: Designed to engage buyers analytically by prompting them to think critically about the offer. These include:**

- > **Information sharing:** Providing data, comparisons or case studies.
- > **Recommendations:** Suggesting specific actions or solutions.

**Compliance Tactics: Aimed at simplifying decisions and reducing buyer hesitation. These include:**

- > **Promises:** Offering guarantees or outcomes.
- > **Assertiveness:** Encouraging immediate action based on expertise.

Used strategically, both styles can increase engagement — but not when mixed. Combining tactics from the same category (e.g., information + recommendation) improved buyer attention by up to 15%. However, mixing across categories (e.g., promise + recommendation) led to a 30% drop in buyer attention. Why? Conflicting cues confuse or overwhelm buyers, leading to disengagement.

## FROM THEORY TO ACTION: WHAT SALES TEAMS SHOULD DO

**1. Treat Attention Like a KPI:** Sales organizations obsess over close rates and revenue, but Marinova's research shows that buyer attention is a leading indicator of success. Monitor it through behavioral signals like response speed, use of action-oriented language, or requests for clarification, then intervene before a deal stalls.

**2. Train for Email Influence:** Email sales is a different game. Traditional interpersonal skills don't translate one-to-one. Instead, train your team to master aligned influence tactics. Focus emails around either internalization or compliance — not both. Avoid sending mixed signals that create friction or cognitive overload.

**3. Leverage AI to Scale Persuasion:** The researchers developed machine learning tools that use textual cue dictionaries to identify and score influence tactics in sales emails. These models predict buyer attention with up to 85% accuracy, enabling sales leaders to optimize messaging and coach teams in real time.

## FINAL THOUGHTS

In digital B2B sales, attention is currency. Lose it, and even the best offer may fail. Gain it, and you unlock the buyer's trust and engagement — long before the final contract is signed. Sales leaders would do well to rethink how they evaluate, train and support their teams in the digital era. Influence still matters. But attention is now everything.

"Compared with face-to-face communications, e-communications are leaner, with fewer contextual cues and less interactivity and flexibility, but they also offer easy accessibility to messages and unlimited storage of a variety of materials," Marinova said. "Sales managers can use these findings to train their sales staff to more effectively handle e-negotiations and increase contract win rates."

**Marinova's study, "Business-to-Business E-Negotiations and Influence Tactics," was co-authored by Sunil Singh and Jagdip Singh. It was published in the "Journal of Marketing."**

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In digital B2B sales, attention is currency. Lose it, and even the best offer may fail. Gain it, and you unlock the buyer's trust and engagement — long before the final contract is signed.



**CLOSE THE DEAL**

The image features two women in a bright, modern office. The woman on the left has curly hair and is wearing a red top, while the woman on the right has straight blonde hair and is wearing a yellow top. They are both smiling and looking at a laptop. The background shows office windows and a clock. Overlaid on the image is large, bold text: 'CLOSE' in white, 'THE' in light blue, and 'DEAL' in yellow. Below the text, there are various digital graphics including a bar chart, a line graph, a pie chart, and the letters 'Ai' in a stylized font. The overall theme is business success and technology.

# 4 THE PRICE OF BAD BEHAVIOR: HOW EXECUTIVES' PERSONAL VALUES INFLUENCE THEIR PROFESSIONAL CONDUCT

Originally published by MU News and Information

*The University of Missouri's Robert J. Trulaske, Sr. College of Business would like to thank Stephen Furbacher for helping to make research like this possible.*

For years, we've watched business executives land themselves in jail for breaking the rules to get rich. Even Hollywood has made movies about these scandals.

Traditionally, finance and accounting experts have focused on measures used to prevent fraud such as checking on executives, examining financial records and having strong rules. However, little attention has been paid to how executives personally value honesty. A new study by **Adam Yore, an associate professor of finance and the Stephen Furbacher Professor of Organizational Change at the University of Missouri's Robert J. Trulaske, Sr. College of Business**, shows that executives' private life behavior and their professional actions are closely connected by examining managers with extramarital affairs, substance abuse problems, violent temperaments, or those who are just allergic to telling the truth.

"We do find that personally duplicitous executives are more likely to cook the books and engage in malfeasance," said Yore. "When these types of revelations become public, the financial markets respond and reflect how the lack of personal ethics are destructive to a firm's value. On average, such behavior costs their investors over a hundred million dollars as their stock price drops."

While the standards direct public accounting auditors to look at the overall tone set by top executives, they do not specifically require auditors to consider the personal behavior of these administrators. This could give them some leeway to avoid broaching such touchy subjects, Yore said.

"We do find that personally duplicitous executives are more likely to cook the books and engage in malfeasance. When these types of revelations become public, the financial markets respond and reflect how the lack of personal ethics are destructive to a firm's value."

— Adam Yore

So how do public auditors respond? Yore said that the auditors do perceive it as a risk to their portfolio of clients.

"When companies have problems, auditors can be at risk, too," Yore said. "Auditors might charge more if the audit is risky, especially if there's a reputation for bad executive behavior. This is because there's a higher chance that they might miss something important, like financial fraud, which could hurt the auditor's own reputation." They also find that some auditors simply drop the client.

However, Yore's research found that auditors are primarily reactive and not proactive. They do not raise fees until after these negative events are made public. His study suggests that auditors manage their risk not just based on the company, but also by considering the personal traits of the managers. However, not all executives are treated the same, as auditors are more likely to forgive this behavior if it comes from a major client.

Yore's paper, "Do auditors view off-the-clock misbehavior by company leadership as a signal of tone at the top?" was co-authored with Brandon Cline, Brant Christensen and Nathan Lundstrom and published in "The Accounting Review."

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# IMPLICATIONS

# SURPRISE WINDFALL: HOW STRONGER SEC OVERSIGHT BENEFITS GLOBAL BORROWERS

*The University of Missouri's Robert J. Trulasko, Sr. College of Business would like to thank the Trulasko family and Deloitte for helping to make research like this possible.*

Securities regulation is often viewed through a narrow lens — as a constraint firms must navigate, rather than a tool they might welcome. But groundbreaking research from the **University of Missouri's Robert J. Trulasko, Sr. College of Business** flips this narrative on its head. The study finds that stronger oversight by the U.S. Securities and Exchange Commission (SEC) creates unintended yet highly beneficial spillovers — notably, cheaper and more favorable private lending terms for global firms.

## UNEXPECTED DIVIDENDS FROM REGULATION

This counterintuitive insight stems from a detailed examination of how foreign companies cross-listed in the U.S. fared when SEC oversight expanded. Thanks to the staggered adoption of the Multilateral Memorandum of Understanding (MMoU) — a global cooperation framework spearheaded by the International Organization of Securities Commissions — the SEC gradually gained new powers over firms based abroad but listed in the U.S.

The findings come from a study co-authored by **Mahfuz Chy (assistant professor)**, **Inder Khurana (Geraldine Trulasko Chair)**, and **Hoyoun Kyung (Deloitte Faculty Scholar)**, all from

**Trulasko's School of Accountancy.** The research team analyzed 2,729 syndicated loan agreements for 891 such cross-listed firms across 31 countries. Their goal: to isolate how increased SEC oversight affected firms' access to private capital. Published in the "Journal of Accounting Research," their work offers new insights into how regulatory moves influence capital access beyond its intended targets.

"We expected SEC enforcement to matter in public markets," Khurana said. "What stood out, though, was that banks, even though they aren't directly regulated by the SEC, also appear to factor its oversight into their lending decisions. That kind of indirect effect, where rules designed for public investors influence private lenders, was a particularly notable finding."

## THE OVERSIGHT DIVIDEND: CHEAPER, LONGER-TERM LOANS

The numbers speak volumes. On average, loan interest rates fell by 36 basis points — a 22.5% drop in borrowing costs, translating to roughly \$9 million in savings over a typical loan's life. Firms also benefited from longer loan maturities and fewer financial covenants, suggesting that lenders gained confidence in borrowers under stronger SEC scrutiny. Instead of bracing for tighter constraints, firms found themselves with more operational freedom and lower costs.

## WHY THE SPILLOVER? RISK REDUCTION THROUGH OUT-SOURCED MONITORING

What explains this unexpected upside? The researchers point to a powerful mechanism: reduced monitoring risk.

Lenders — especially sophisticated institutions — view robust SEC enforcement as a reliable proxy for financial integrity. With the SEC serving as another layer of oversight, banks may scale back some elements of their own diligence. The regulatory presence itself becomes a credibility signal, diminishing perceived risk and prompting lenders to offer better terms.

"Regulators should consider the broader ripple effects of enforcement. Rules aimed at public companies can generate positive spillovers, like increasing banks' confidence in lending."

— Hoyoun Kyung

The effect was most pronounced in countries with weak domestic institutions, where SEC oversight served as a credible substitute for local enforcement gaps. It's a vivid example of how regulation designed for one purpose can catalyze trust in entirely different markets.

## WHEN ENFORCEMENT BECOMES AN ECONOMIC ENGINE

The study also highlights four conditions that amplified the positive spillovers:

**Institutional Weakness:** Firms from countries with less effective legal systems saw the biggest cost savings.

**SEC Resourcing:** Stronger SEC budgets correlated with greater loan benefits, reinforcing the value of funding enforcement.

**Accounting Flexibility:** Firms with more discretion in financial reporting gained more. Oversight reassured lenders.

**Lender Sophistication:** Elite banks responded more quickly and aggressively to the perceived risk reduction.

## IMPLICATIONS FOR BUSINESS, POLICY AND GOVERNANCE

The broader takeaway is both surprising and empowering: Securities regulation can yield economic advantages far beyond its intended scope. For companies contemplating a U.S. cross-listing, SEC scrutiny may seem like a compliance cost. But as this study shows, it can also be a powerful catalyst for unlocking cheaper, more flexible private capital.

For policymakers, the research underscores the strategic value of cross-border regulatory cooperation and consistent enforcement funding. Far from being a bureaucratic footnote, the MMoU enabled real-world improvements in lending terms on a global scale.

“Regulators should consider the broader ripple effects of enforcement,” Kyung said. “Rules aimed at public companies can generate positive spillovers, like increasing banks’ confidence in lending. Recognizing those effects can lead to a more complete and accurate understanding of a regulation’s full impact.”

And for boards, investors, and executives, the findings are a timely reminder: Transparency and oversight don’t just protect against downside risk — they generate measurable financial upside.

## A GLOBAL WIN-WIN FOR CAPITAL MARKETS

In an era when regulatory efforts are often dismissed as red tape, this research from Mizzou’s Trulaske College of Business reframes the conversation. Effective securities regulation, it turns out, isn’t just about punishment or prevention. When executed well, it fosters trust, reduces costs and aligns the interests of regulators, lenders and borrowers alike.

“This research is especially relevant for regulators and policymakers,” Khurana said. “While it’s well understood that third-party monitors like auditors play an important role in debt markets, our findings suggest the SEC may also function as a form of oversight — even if unintentionally. That broadens how we think about the value and reach of securities regulation.”

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A futuristic trading floor with digital overlays of stock charts and a world map. The scene is illuminated with blue and orange light, creating a high-tech atmosphere. In the foreground, three people are engaged in a discussion. The background features large digital displays showing various financial data and a glowing world map.

# STOCK SAFETY

# THE LONG-TERM SAFETY OF STOCKS MAY BE OVERSTATED — HERE'S WHY

*The University of Missouri's Robert J. Trulaske, Sr. College of Business would like to thank Charles Jones Russell for helping to make research like this possible.*

For generations, financial advisors have assured investors that stocks are a safe bet over the long haul. “Stay the course,” they say. “Time in the market beats timing the market.” But what if that advice, rooted largely in the U.S. experience, gives investors a false sense of security?

New research from **Michael O'Doherty, the Charles Jones Russell Distinguished Professor at the University of Missouri's Robert J. Trulaske, Sr. College of Business**, challenges the long-held assumption that equities are low-risk over extended horizons. By analyzing nearly 180 years of monthly stock returns from 39 developed countries, O'Doherty and his co-authors paint a far more nuanced — and sobering — picture of long-term equity investing.

## WHY THE U.S. ISN'T THE WHOLE STORY

Conventional wisdom is built on a narrow base: historical U.S. data. The American stock market, after all, has delivered enviable returns even through wars, recessions and crises. But that performance may not be replicable elsewhere, or in the future.

O'Doherty's study incorporates more than 2,600 years' worth of investment histories across developed markets, capturing events like market shutdowns, hyperinflation and geopolitical upheaval that traditional U.S.-centric studies omit. Countries such as Japan, Germany and Czechoslovakia experienced extended market stagnation or even permanent closures — realities that long-term investors ignore at their peril.

## THREE KEY INSIGHTS FOR INVESTORS

### 1. Stocks Are Not Safe Over the Long Term

Using U.S. data alone, the probability of losing purchasing power over a 30-year horizon is just 1.2%. But across the broader international sample, that risk climbs to 12.1%. In the worst 1% of all scenarios, a dollar invested shrinks to \$0.14 or less after inflation.

Real-world cases bear this out: Japanese equities returned -21% in real terms between 1990 and 2019. The outcome would be considered

highly unlikely under U.S.-based assumptions but is well within the range of plausible global experiences.

### 2. Extremes Are More Common Than Expected

The range of possible long-term outcomes is staggering. In simulations, the 95th percentile of 30-year results yields over \$23 from a \$1 investment, while the 5th percentile drops to just \$0.47. These tails, both positive and negative, are fatter than most models assume, underscoring the need for careful risk management.

### 3. Investment Fees Matter

Even small differences in fees can significantly raise the odds of long-term loss. A fund with a 0.04% annual expense ratio sees a 12.3% loss probability over 30 years. Raise fees to 1.11%, and the chance of losing ground rises to 17.5%. For retirement investors, compounding fees can quietly erode even otherwise solid portfolios.

## IMPLICATIONS FOR POLICY AND PRACTICE

**Update Policy Design:** Retirement systems, target-date funds and fiduciary frameworks often assume equity safety over time. This research suggests that such models should better account for rare but severe downside scenarios, especially as retirement planning increasingly depends on long-horizon forecasts.

**Base Expectations on Global Data:** Forecasts rooted in a single country's exceptional past are at risk of being dangerously optimistic. Instead, investors and policymakers should anchor return expectations in broader, less biased datasets.

## A REALITY CHECK FOR LONG-TERM OPTIMISM

The research upends the widely accepted belief that equities are a sure bet over time. While stocks remain a cornerstone of long-term strategy, their risks — particularly on a global scale — are more significant than most investors realize.

O'Doherty, alongside co-authors Aizhan Anarkulova and Scott Cederburg, published these findings in the “Journal of Financial Economics” under the title, “Stocks for the Long Run? Evidence from a Broad Sample of Developed Markets.” The message is clear: Sound investing demands broader perspective, lower fees, and greater humility in the face of uncertainty.

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# 7 THE DOWNSIDE TO AN ORGANIZATION'S POLITICAL ACTIVITY IS A SHRINKING POOL OF JOB APPLICANTS

In recent years, more and more organizations are entering the world of politics.

Some contribute money to political parties — Apple and ExxonMobil have contributed large sums to the Democratic and Republican parties. In fact, the political contributions of Fortune 100 companies more than doubled between 2000 and 2018. Another way organizations are entering the realm of politics is by taking public stands on key political issues such as gun control or immigration.

While the reasons behind the increase in political activity are varied among organizations, a recent study from **John Arnold, assistant professor of management at the University of Missouri's Robert J. Trulaske, Sr. College of Business and Trulaske Dean's Advisory Board Faculty Scholar**, found these actions are having a profound impact on the amount and type of potential employees these organizations attract. The research team, which also included Phillip Roth, Jack Walker, Liwen Zhang and Chad Van Iddekinge, found that one-third of participants said they did not apply to an organization because of its political affiliation or stances.

"That was striking to us," said Arnold, whose research team gathered its information before and after the 2016 U.S. presidential election. "The real downside with these political affiliations is organizations may be repelling up to one-third of the workforce. So, in an economy

where there is a war for talent — unemployment has been relatively low for quite a while which means companies are fighting to keep talent at their organization — companies that are making these political decisions are limiting their talent pool."

Researchers gathered data from a Qualtrics survey of 334 job seekers. Participants were required to work in the United States, speak English as their first language and currently be seeking full-time employment. Among the findings, researchers discovered:

**Job seekers are aware of an organization's political affiliation and stances and consider them when seeking a job.**

**The more a job seeker identifies with an organization's party affiliation, the more positive their reaction is to the organization and the more likely they are to pursue employment there.**

**Job seekers who don't identify with an organization's political affiliation have decreased feelings of perceived similarity and liking of the organization.**

**An organization's affiliation with political issues, such as gun control, also influenced perceptions of similarity and liking among job seekers.**

According to the study: "This is the first test of the effects of organizational political affiliation on job seekers. This is important because there is no evidence regarding whether or how the increased political activity of many organizations affect their ability to attract job applicants, which is crucial to organizations' ability to select high-quality employees."

Arnold acknowledged that political activity among organizations is nothing new, but the activity has increased for several reasons. Some research suggests organizations are predisposed to these actions based on the values, attitudes and beliefs of company leaders. Additionally, many CEOs believe an organization's core strategy should include addressing social problems. Some organizations choose to take political stands to build brand loyalty while others take political stands as part of their human resources policy.

"If organizations are getting more and more politically homogenous, and we are living in an increasingly polarized society, what does all that mean?"

— John Arnold



Though researchers didn't delve into the implications of limiting the pool of potential job seekers, Arnold said, the shrinking pool of potential employees could lead to companies becoming more politically homogenous.

"I think we definitely show that it is likely to happen based on our results," he said. "Companies that take these political stands will end up with a more politically homogenous workforce, and politics tends to be polarizing in the sense that peoples' values tend to coalesce around these political issues. If organizations are getting more and more politically homogenous, and we are living in an increasingly polarized society, what does all that mean?"

"We don't explore that question in our research," Arnold added, "but we certainly raise it in this study."

**Arnold's paper, "Organizational Political Affiliation and Job Seekers: If I Don't Identify With Your Party, Am I Still Attracted?" was published in the "Journal of Applied Psychology."**

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# POWER TO LEAD



# PEERS, ADVICE, AND VOICE: WHAT KEEPS INFORMAL LEADERS IN POWER

*The University of Missouri's Robert J. Trulaske, Sr. College of Business would like to thank Raymond W. Lansford for making research like this possible.*

In every organization, there are those who lead without the title. These informal leaders — trusted colleagues, go-to team members, and respected voices — shape the everyday functioning of work far more than organizational charts might suggest. They carry influence, field questions, resolve problems, and often advocate for the group.

But what exactly enables them to hold onto that influence? What keeps coworkers turning to the same person week after week, even when formal roles change? And how does that impact other employees' path to leadership?

A new study from researchers at the **University of Missouri's Robert J. Trulaske, Sr. College of Business** takes a closer look at exactly that. Unlike prior research, which focused on how informal leaders emerge, **Ann C. Peng, Trulaske's Raymond W. Lansford Distinguished Professor of Leadership, and John Schaubroeck, a professor of management at Trulaske**, explored how these leaders sustain their leadership roles within peer groups. The results offer fresh insight into the hidden mechanics of workplace dynamics.

## PEER EXPECTATIONS SURPASS PERSONAL TRAITS

Most leadership models emphasize individual agency traits like charisma, confidence or initiative as the key to sustaining influence. This study challenges that view. According to the findings, maintaining informal leadership is less about self-driven behaviors and more about the expectations and actions of peers.

"To quickly respond to changing demands in a competitive business environment, organizations are increasingly relying on their employees taking initiatives, including acting like leaders even if they are not in a formal leadership role (i.e., informal leadership)," Peng said. "While in theory every employee can become an informal leader, it is common that groups defer to one or a couple of members for leadership. This study thus aims to understand why the informal leadership structure tends to be relatively stable in work groups."

The research draws on "expectation states theory," which posits that once someone is perceived as capable within a group, peers begin to assign

them a set of performance expectations. These expectations aren't simply internal beliefs, but rather they lead to real opportunities, such as being asked for advice or being expected to speak on behalf of the team. In effect, the group sustains the leader's status by giving them consistent chances to lead.

This creates a reinforcing loop: Perception leads to opportunity, which in turn reinforces the original perception. Leadership, then, is not simply enacted — it is continually granted.

## INFORMAL POWER RUNS THROUGH ADVICE

One of the most powerful signals of informal leadership is who coworkers approach for guidance. The researchers used the term "advice network centrality" to describe how often employees were sought for work-related input. Unsurprisingly, those seen as informal leaders occupied the center of these advice networks — and remained there.

Being sought for advice didn't just reflect influence, it created a channel for greater impact. Informal leaders who were frequently approached became more likely to speak up to formal leaders, which researchers call "upward voice." This includes offering suggestions, raising concerns or requesting changes on behalf of the team.

The informal leader, equipped with peer input, becomes the group's ambassador. This role enhances their visibility and credibility with both colleagues and management. In other words, being asked for advice makes them more likely to speak up, and speaking up further entrenches their leadership position. Unfortunately, this sometimes blocks others seeking a leadership path.

"Prior research and theory emphasize the personal agency of informal leaders. People who are more motivated to lead often emerge as informal leaders," Peng said. "Our research, however, reveals the hidden group dynamics that may prevent more members from taking leadership initiatives, even if they want to. We found that once an employee established him/herself as an informal leader, others would habitually turn to this employee for work-related advice and trust him/her to relay their concerns to the manager. The interactions between other group members and the informal leader, in turn, reinforce the existing leadership structure over time, making it difficult for new leaders to emerge."

## THE SOCIAL UNDERCURRENT: WHY FRIENDSHIPS AMPLIFY INFLUENCE

The study also uncovered a subtler form of capital: friendship. Informal leaders who had strong personal connections — measured by how

often they socialized with peers outside of work — were more likely to be approached for advice. Why? Trust.

Colleagues are more inclined to share concerns or ask for help when they believe the listener has their best interests in mind. Off-duty interactions create a sense of safety that formal processes cannot replicate. That trust, in turn, fuels the cycle of leadership reinforcement.

Organizations often overlook this social dynamic. Yet it suggests that influence is not only about competence, but also about emotional credibility. Those who are both respected and liked have more staying power as informal leaders.

## CAN SPEAKING UP CREATE LEADERSHIP?

Interestingly, the researchers also examined whether upward voice could cause leadership status, rather than just result from it. While there was some evidence to support this idea, the effect was less consistent. In short, speaking up can reinforce a leader's role, but it may not be enough to create it in the first place.

This has important implications for how companies interpret visibility. Simply encouraging employees to “speak up” may not automatically result in greater influence unless peers already see them as credible leaders.

## ORGANIZATIONAL IMPLICATIONS

For managers and HR professionals, these findings offer several actionable takeaways:

**Recognize and support informal leaders. These individuals act as intermediaries, often surfacing issues and driving change from within the team. Even without formal authority, they wield real influence.**

**Understand the stabilizing effect of peer dynamics. Once someone gains leadership status, peer expectations tend to reinforce it. While that stability is powerful, it can also become a barrier for others. Organizations must look beyond formal promotions to the informal structures that shape everyday interactions.**

**Value the social side of work. Encouraging collaboration and social connection may indirectly shape who gains influence and how information flows across teams. Fostering trust among peers isn't just a morale booster. It's a strategic tool.**

**Don't overestimate the power of voice alone. While upward voice is important, it is most effective when supported by peer legitimacy. Employees who are encouraged to speak up need peer backing to convert visibility into influence.**

“To encourage more employees to take leadership initiatives, organizations must take deliberate actions, as opposed to letting the group processes unfold naturally,” Peng said. “Managers, for example, can intentionally assign different members to take charge of various work activities, breaking the group's tendency to maintain the existing leadership structure. Managers may also occasionally form new work groups to allow more employees, especially those who were not granted such opportunities in their previous groups, to emerge as informal leaders.”

**“How is leadership maintained? A longitudinal mediation model linking informal leadership to upward voice through peer advice seeking” was co-authored by Dongchul Kim and Wei Zeng, and was published in the “Journal of Applied Psychology.”**

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5. Authors Mahfuz Chy (assistant professor) (L), Inder Khurana (Geraldine Trulaske Chair) (C), and Hoyoun Kyung (Deloitte Faculty Scholar) (R), from the School of Accountancy at the University of Missouri's Robert J. Trulaske, Sr. College of Business. **THE LEAD:** While stronger SEC oversight might be viewed as a constraint, it can actually benefit global borrowers.



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6. Author Michael O'Doherty, the Charles Jones Russell Distinguished Professor at the University of Missouri's Robert J. Trulaske, Sr. College of Business. **THE LEAD:** The long-term safety of stocks might be overstated.



7

7. Author John Arnold, assistant professor of management at the University of Missouri's Robert J. Trulaske, Sr. College of Business and Trulaske Dean's Advisory Board Faculty Scholar. **THE LEAD:** Organizations that participate in political activities could experience changes to their pool of job applicants.



8

8. Authors Ann C. Peng (L), Trulaske's Raymond W. Lansford Distinguished Professor of Leadership, and John Schaubroeck (R), management professor at the University of Missouri's Robert J. Trulaske, Sr. College of Business. **THE LEAD:** You might be underestimating the power that informal leaders wield in your organization.



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