DEAR FRIENDS AND COLLEAGUES:

In this publication we celebrate several important research projects conducted by members of the Robert J. Trulaske, Sr. College of Business’s distinguished faculty.* As you will see in the following pages, a number of these projects were conducted with current or former Trulaske College of Business doctoral students. More news about our doctoral students is presented on page eight.

We hope you find this issue of the Robert J. Trulaske, Sr. College of Business Research and PhD Report useful and will pass it on to colleagues who might be interested in the research projects described in it. You will be hearing more from us as we approach our centennial as a business school.

Yours truly,

Joan T.A. Gabel, Dean
Robert J. Trulaske, Sr. Dean

Allen Bluedorn, Associate Dean
Emma S. Hibbs Distinguished Professor

Note: *Trulaske is pronounced “tru-lask.”
**Findings**

Prior research shows that top managers engage in empire building and often make value-destroying acquisitions. The authors show that “good accounting” is a mechanism that disciplines managers to make better acquisition-investment decisions. Specifically, companies that use more conservative accounting policies and which write down losses and asset impairments more quickly, also make more profitable acquisitions as measured by the stock market reaction to the acquisition, and by better post-acquisition operating performance. These firms are also less likely to make post-acquisition divestitures, which is consistent with having made better acquisition investment decisions.

**Methodology**

The study uses a large sample of corporate acquisitions from the SDC U.S. Mergers and Acquisitions database. The authors identified 17,202 acquisitions by 4,979 unique firms between January 1, 1980 and December 31, 2006 that also have the required accounting data from Compustat and stock return data from the CRSP Daily Stock Price and Returns File.

Jere R. Francis is a Professor of Accountancy, a Curators’ Professor, and holds the Robert J. Trulaske, Sr. Chair of Accountancy.

Xiumin Martin is an Assistant Professor of Accounting at Washington University in St. Louis and is a 2007 graduate of the Trulaske College of Business’s doctoral program in accountancy.
Findings

Results suggest that tenure variance, firm/industry background heterogeneity, and the proportion of directors with output-oriented backgrounds are positively associated with the board's discussion of entrepreneurial issues. Weak faultlines (subtle differences between subgroups) increase and strong faultlines (stark difference between subgroups) decrease discussion of entrepreneurial issues. Meeting informality moderates these relationships such that functional background heterogeneity decreases discussion while the proportion of directors with output-oriented backgrounds and strong faultlines increase discussion of entrepreneurial issues.

Methodology

The primary variable of interest in this study was the percentage of board meeting time, out of the total amount of time the board meets during its fiscal year, spent discussing entrepreneurial issues. These data were collected from transcripts of board meeting minutes and coded by the target firm’s auditors using a modified form of content analysis. Board composition data and firm financial data were collected from archival data sources. Hierarchical fixed-effects models were used to assess the impact of board composition (characteristics and patterns) and board meeting informality (board meeting location, agenda openness, and annual frequency of board meetings) on board discussion of entrepreneurial issues.

Christopher S. Tuggle is an Assistant Professor of Management.
Karen Schnatterly is an Associate Professor of Management.
Richard A. Johnson is a Professor of Management and the Emma S. Hibbs/Frederick A. Middlebush Chair of Entrepreneurship.

Firms with low public disclosure exhibit greater reliance on funds from private debt markets and the impact of firm disclosure on the debt placement decision is more pronounced for firms with lower accounting quality. Moreover, low disclosure firms exhibit a higher level of private debt claims as a proportion of total debt claims outstanding. Overall, the study points to the influence of a firm’s disclosure policy and its interaction with accounting quality in debt placement decisions.

Methodology

Regression analysis was conducted by first using the borrowing firm’s incremental financing choice of publicly offered debt and privately placed debt, and then using a firm’s balance sheet mix of private and public debt outstanding. Proxies for a firm’s disclosure policy were based on management earnings forecasts and on analyst evaluations of firm disclosure policy as reported in the Association of Investment Management and Research’s Annual Reviews of Corporate Reporting Practices (AIMR) reports. The sample covers 2,235 debt issues offered by 932 firms over the years 1997-2006 and an AIMR sample of 637 debt issues offered by 496 firms over the years 1982-1995.

Inder K. Khurana is a Professor of Accountancy and the KPMG/Joseph A. Silvoso Distinguished Research Professor of Accountancy.

Raynolde Pereira is an Associate Professor of Accountancy and the Arthur Andersen/Joseph A. Silvoso Distinguished Professor of Accountancy.
Findings

For information technology (IT) control deviations, the authors found that when management concedes a control failure, auditors assess significance of deficiency lower and perceived explanation adequacy higher than when management denies the existence of control failure. For manual deviations, there was no difference between management concessions and denials. The authors’ findings are consistent with theory that, though the technology element in a deviation is irrelevant, the presence of technology reduces human blame. Consistent with theory and supporting the primary findings, auditors blame management less for IT than manual control deviations. Further, the relative effectiveness of concessions and denials can be explained by the amount of blame assigned to management. More generally, the results indicate that concessions are more effective persuasion tactics than denials whenever a concession is joined with information that reduces auditor perception of management blame. The findings provide evidence of a systematic bias in auditor judgment and indicate a rationale for the ubiquity of management persuasion attempts around control deviations – sometimes they work.

Methodology

The authors conducted an experiment in which 106 audit seniors from a Big 4 public accounting firm evaluated two internal control deviations. The deviations were embedded in case studies that included a vignette conversation between the audit senior and management. The experiment varied, between auditors, the type of persuasion tactic, concession or denial, and the type of control deviation, IT or manual. Data were analyzed using repeated measures ANOVA and path analyses.

Elaine G. Mauldin is an Associate Professor of Accountancy and the BKD Professor of Accountancy.
Findings

The mean estimate of current-period personal selling elasticity is 0.34. Personal selling elasticity estimates are higher for early lifecycle stage offerings, higher from studies set in Europe rather than the United States, and smaller in more recent years. Additionally, elasticity estimates are affected significantly by analysts’ use of relative rather than absolute sales output measures, cross-sectional rather than panel data, omission of promotions, lagged effects, marketing interaction effects, and neglect of endogeneity in model estimation. The methods bias-corrected mean personal selling elasticity is about 0.31.

Methodology

To assess the mean value and determinants of personal selling elasticity, the authors performed a meta-analysis of 506 personal selling elasticity estimates drawn from econometric studies of 88 empirical datasets appearing in 75 previous papers over the last four decades. Personal selling elasticity was modeled as a linear function of the selected independent variables (determinants). To account for the nested error structure of the observations, the meta-analysis employed a hierarchical linear model estimation approach.

Murali K. Mantrala is a Professor of Marketing and the Sam M. Walton Distinguished Professor of Marketing.

Shrihari Sridhar is an Assistant Professor of Marketing at the Pennsylvania State University and is a 2009 graduate of the Trulaske College of Business’s doctoral program in marketing.
**Findings**

In contrast to prior studies, CEO cash compensation is not more sensitive to negative stock returns than to positive stock returns. The authors found similar results when examining CEO bonus pay and partitioning performance based on earnings rather than stock returns. Finally, even among the worst-performing firms with the strongest corporate governance, there was no evidence of CEO pay being punished more for poor firm performance than rewarded for good firm performance.

**Methodology**

The authors’ main sample consists of 14,632 firm-year observations over 1993-2005. Their main dependent variable is the change in CEO cash compensation, according to Execucomp. Control variables include firm size, the book-market ratio, leverage, cash constraints, and the issuance of new equity or debt securities. Firm performance is measured using the change in return on assets, stock returns, and each of those variables interacted with indicator variables for high and low performance. Ordinary least squares regression analysis provided estimates of the relations between changes in CEO cash compensation and firm performance.

Kenneth W. Shaw is an Associate Professor of Accountancy and the Deloitte Professor of Accountancy. May H. Zhang is an Assistant Professor of Accountancy.
The Interim Trading Skills of Institutional Investors


Findings

Returns for institutional investors’ intra-quarter round-trip trades are significantly positive. More generally, institutional investors earn significant abnormal returns on their trades within the trading quarter and this interim trading performance is persistent. After transactions costs, interim trading skills contribute between 20 and 26 basis points per year to the average fund’s abnormal performance. The findings indicate that any trading skills documented by previous studies that use quarterly data are biased downward because of their inability to account for interim trades.

Methodology

The authors obtained a large proprietary dataset of institutional trades for the period from January 1, 1999 to December 31, 2005 from ANcerno Ltd. The database captures the complete transaction history for institutions in the sample; data available for each transaction include an identity code for the institution, an identity code for the fund within each institution, date of execution, the stock traded, number of shares executed, execution price, commissions paid, and whether the execution is a buy or sell. The database contains a total of 840 different institutions (3,816 different managers) during the sample period. Institutions in the ANcerno database are responsible for approximately 8% of the dollar value of total trading volume in the U.S. stock market during the 1999 to 2005 sample period. The performance of round-trip trades was computed by using the purchase and sale prices, and the interim trading performance of each trade from the trade date until the end of the trading quarter was computed by using the actual execution price and the end of quarter stock price.

Xuemin (Sterling) Yan is an Associate Professor of Finance and the Richard G. Miller Professor of Finance.
Slusher Scholarship Supports Attending an International Conference

Generous gifts from the family and friends of E. Allen Slusher, a former management professor and associate dean of the Trulaske College of Business who passed away in 2005, have established the E. Allen Slusher Graduate Scholarship for Graduate International Studies. This scholarship supports an international experience annually by a graduate student in the Trulaske College of Business. For 2011 this scholarship was awarded to marketing doctoral student Irina Kozlenkova (photo below), who used it to attend the European Marketing Association Conference in Ljubljana, Slovenia from May 23 through May 27, 2011.

Irina made a presentation at this conference on a multi-national project she worked on with TCoB marketing professor Dr. Lisa Scheer and former TCoB marketing doctoral student Dr. Donald Lund (U of Alabama, Birmingham). The presentation was entitled, “The Role of Fairness in International Business-to-Business Marketing Relationships.” Irina received valuable feedback from other researchers following the presentation. During the conference, Irina also received new ideas for her own research, and she was able to network with scholars from several countries. Irina summed up her experience by saying, “I was able to meet interesting people, grow professionally, and see the beautiful country of Slovenia. I am very honored and thankful to have been awarded this wonderful opportunity.”

Chen Scholarships Support International Doctoral Students

Raymond and Susan Chen have generously established the Raymond and Susan Chen Trulaske College of Business International PhD Scholarship. Raymond and Susan Chen both matriculated in the Trulaske College of Business’s School of Accountancy in the late 1960’s and early 1970’s, with Raymond Chen receiving his PhD in 1973; Susan Chen, an MA in Accountancy in 1970. Four students received the first four Chen scholarships in 2008: Shih-chi Chiu, who is from Taiwan and received her PhD in Management in May 2010; Biljana Nikolic, who is from Yugoslavia and is pursuing a PhD in Finance; Elina Tang, who is from China and received a PhD in Marketing in 2011; and Olena Watanabe, who is from Ukraine and is pursuing a PhD in Accountancy.

The second set of four Chen Scholarships was awarded in 2010 to the following students: Irina Kozlenkova, who is from Russia and is pursuing a PhD in Marketing; Min-Yu Liao, who is from Taiwan and is pursuing a PhD in Finance; Serge Pires da Motta Veiga, who is from Portugal and is pursuing a PhD in Management; and Olena Watanabe, who is from Ukraine and is pursuing a PhD in Accountancy.
Faculty Holding Named Positions for 2011-2012

Dean and Chairs
Robert J. Trulaske, Sr. Dean
Established in 2005 by Geraldine M. Trulaske
Joan T.A. Gabel, Dean and Professor of Management

Bailey K. Howard World Book Chair in Marketing
Established in 1975 by Field Enterprises Charitable Corp.
S. “Ratti” Ratneswar, Department Chair and Professor of Marketing

Emma S. Hibbs/Harry Gunnison Brown Chair of Business and Economics
Established in 2002 by Sherlock Hibbs
Thomas W. Dougherty, Professor of Management

Emma S. Hibbs/ Frederick A. Middlebush Chair of Entrepreneurship
Established in 2002 by Sherlock Hibbs
Richard A. Johnson, Professor of Management

James Harvey Rogers Chair of Money, Credit and Banking
Established in 2002 by Sherlock Hibbs
Stephen P. Ferris, Professor of Finance/FRI Director

Missouri Bankers Chair
Established in 1986 by the Missouri banking community
John S. Howe, Professor of Finance

Robert J. Trulaske, Sr. Chair of Accountancy
Established 2005 by Geraldine M. Trulaske
Jere R. Francis, Professor of Accountancy

Professorships
Arthur Andersen & Company Alumni/Joseph A. Silvoso Distinguished Professorship in Accountancy
Established in 1988 by employees of Arthur Andersen
Raynolde Pereira, Assistant Professor of Accountancy

BKYD Professorship
Established in 1992 by BKD, LLP
Elaine G. Mauldin, Associate Professor of Accountancy

Curators’ Professorship
Established in 1968 by the University of Missouri Board of Curators
Jere R. Francis, Professor of Accountancy

Curators’ Teaching Professorship
Established in 1990 by the University of Missouri Board of Curators
James A. Wall, Jr., Professor of Management

David & Judy O’Neal MBA Professorship
Established in 2001 by David and Judy O’Neal
Srinath Gopalakrishna, Professor of Marketing

Deloitte Professorship
Established in 2004 by partners and employees of Deloitte and the Deloitte Foundation
Kenneth W. Shaw, Professor of Accountancy

Emma S. Hibbs Distinguished Professorship
Established in 2002 by Sherlock Hibbs
Allen C. Bluedorn, Associate Dean and Professor of Management

Emma S. Hibbs Distinguished Professorship
Established in 2002 by Sherlock Hibbs
Lisa K. Seber, Professor of Marketing

Jeffrey E. Smith Missouri Professorship in Finance
Established in 2002 by Jeffrey E. Smith

Dan W. French, Department Chair and Professor of Finance

KPMG/Joseph A. Silvoso Distinguished Professorship in Accountancy
Established in 1989 by KPMG

Inder K. Khurana, Professor of Accountancy

Leggett & Platt, Inc. Distinguished Professorship of Information Systems
Established in 2000 by Leggett & Platt, Inc.
Antonie Stam, Professor of Marketing

Myron Watkins Distinguished Professorship
Established in 2002 by Sherlock Hibbs

Marsha L. Richins, Professor of Marketing

Pinkney C. Walker Professorship in Teaching Excellence
Established in 2001 by friends of Pinkney C. Walker
Peter H. Bloch, Professor of Marketing

PricewaterhouseCoopers/Joseph A. Silvoso Distinguished Professorship in Accountancy
Established in 1989 by PricewaterhouseCoopers

Vairam Arunachalam, School Director and Professor of Accountancy

Raymond W. Lansford Distinguished Professorship of Leadership
Established in 1998 by friends of Raymond W. Lansford
Bruce J. Walker, Professor of Marketing

Richard G. Miller Professor of Finance
Established in 2005 by Richard G. Miller

Sterling Yan, Professor of Finance

Robert J. Trulaske, Sr. Professor of Marketing
Established in 2005 by Geraldine M. Trulaske

Sam M. Walton Distinguished Professorship in Marketing
Established in 1992 by Sam M. Walton

Murali Mantrala, Professor of Marketing

Stephen Furbacher Distinguished Professorship in Organizational Change
Established in 1991 by Stephen Furbacher

Daniel B. Turban, Department Chair and Professor of Management

Fellows and Scholars
CBIZ/MHM Scholar
Established in 2007 by Mayer Hoffman McCann & CBIZ

Patrick R. Wheeler, Associate Professor of Accountancy

Ernst & Young Teaching Fellow
Established in 2011 by Ernst & Young, LLP

Billie M. Cunningham, Teaching Professor of Accountancy

Nikolai Teaching Scholar
Established in 2010 by the School of Accountancy

Chris Prestigiacomo, Associate Teaching Professor of Accountancy

Williams-Keepers Teaching Scholar
Established in 2011 by Williams-Keepers, LLC

William J. Moser, Associate Teaching Professor of Accountancy

* includes matching funds from state.