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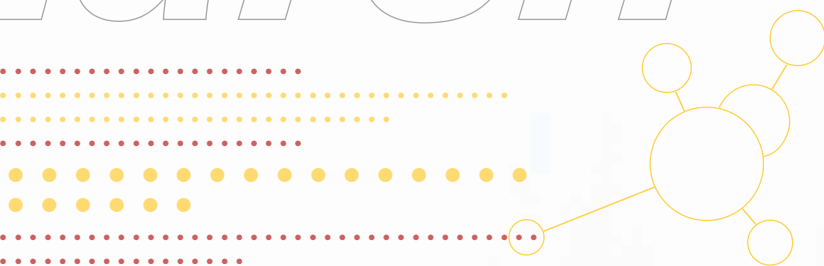
Research@Smith

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VOL
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Encouraging good corporate behavior

4 Entrepreneurship
Exploring the reasons for a new venture's initial network position

6 Accounting
The affect of earnings surprises on information asymmetry



UNIVERSITY OF
MARYLAND

ROBERT H. SMITH
SCHOOL OF BUSINESS

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Research@Smith summarizes research conducted by the faculty of the Robert H. Smith School of Business at the University of Maryland.

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We'd like to put Research@Smith directly into the hands of faculty and administrators who are interested in learning about the latest research conducted by Smith School faculty. To request a copy of this publication or make an address correction, contact Rebecca Winner via e-mail, editor@rhsmith.umd.edu, or phone, 301.405.9465.

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Coming forward

Industry norms are more effective than sanctions in encouraging good corporate behavior.

CEOs are under immense pressure to deliver on earnings performance, a pressure which only intensifies in difficult economic times. So it is not surprising that so many CEOs—up to 74 percent in one study—believe it is acceptable to manipulate their earnings reports to achieve performance goals. Manipulation of corporate earnings through income smoothing, earnings management, or explicitly fraudulent behavior is more common than many would like to admit, but it is easy to understand. It is hard to be honest when the alternative is to lay off workers or close the doors.

When discrepancies between report and reality become apparent, some public firms restate their reported financial earnings voluntarily. Others are forced to restate by a law-enforcement body like the Securities and Exchange Commission (SEC). Voluntary disclosure of wrongdoing creates an initially negative response from stakeholders, often reflected in a decline of the firm's market value. It can generate civil lawsuits and result in the loss of income or position for corporate executives. What would motivate a firm to voluntarily restate its earnings despite the negative impact?

Recent research by Ken G. Smith, Dean's Chaired Professor of Business Strategy, and Kay Bartol, Robert H. Smith Professor of Management and Organization, indicates that social forces may be more effective than regulation in compelling firms to do right. In other words, good behavior is catching.

Bartol and Smith examined 919 firm restatement announcements from 845 firms between 1994-2001, taken from a report issued by the U.S. General Accounting Office (GAO). The publicly-traded, relatively large firms were selected from the Execucomp database, which includes more than 2,500 past and present members of the S&P 1,500. Firms in the database restated their earnings due to accounting irregularities that included aggressive accounting practices, intentional misuse of facts, and fraud. One hundred seventy of these restatements were considered to be voluntary. Restatements due to innocent mistakes, human error or discontinued operations were excluded from the sample.

Firms were more likely to voluntarily restate earnings when their peers, industry leaders, and network associates have also voluntarily come forward to restate earnings. Coming forward voluntarily can mitigate punishment and lessen the damage to a firm's reputation, a process that everyone in the industry can observe. Seeing peers, industry leaders and other members of their network weather the initial negative impact and emerge stronger and healthier for it encourages other firms to also brave the initial negative consequences that accompany a voluntary disclosure of wrongdoing.

Network connections also play an important role. Indirect connections such as personnel exchange, board interlocks, membership in trade associations, and shared auditors may communicate norms and



values through a social context. When network members voluntarily restated earnings, it increased the likelihood that a firm in the network would follow suit.

Some argue for additional or more stringent oversight, controlling firm behavior through stricter regulation and control. But Smith and Bartol found that formal regulatory forces actually discourage voluntary restatements, a result the authors found surprising and counter-intuitive.

“If you were speeding on the freeway and saw other cars being pulled over, you’d slow down,” says Smith. But seeing other firms being prosecuted for wrongdoing doesn’t seem to inspire firms to amend their behavior or come forward to restate their earnings. It may be that CEOs believe that enforcement agencies have the wherewithal to prosecute only a certain number of wrongdoers. CEOs may be gambling on the chance that their firm will not be among the small number caught and prosecuted.

The authors also found that the higher the status of a firm, the less it feels pressure to conform to industry norms or social regulatory forces.

Smith and Bartol found that formal regulatory forces actually discourage voluntary restatements, a result the authors found surprising and counter-intuitive.

“These companies—the Enrons of the world—may feel immune to the negative consequences of restatement because of their history of success and their status in the industry,” says Smith. So neither the fear of punishment nor the effect of peer pressure seems to influence the behavior of the biggest and most influential firms.

“Our finding that network connections influence firm behavior suggests that it may be possible to identify better connected firms in an industry and elicit their aid in encouraging more positive corporate citizenship,” says Bartol. “Such a direction is warranted because strong regulatory sanctions do not seem to work and may even be counterproductive.”

“Coming Forward: The effect of social and regulatory forces on the voluntary restatement of earnings subsequent to wrongdoing” was published in *Organization Science*. For more information about this research, contact ksmith@rhsmith.umd.edu or kbartol@rhsmith.umd.edu.

Causes and consequences of initial network positions

Who you know matters, but only within the first year of the new venture's life.

Entrepreneurs begin their ventures lacking a lot of things—employees, funding, customers, technology, among others. A large part of success is the ability to get these things, and that depends in large part on the entrepreneur's ability to network with people and organizations that can provide them with everything from further connections to equipment to good advice. Network ties—alliances, board interlocks, equity investments between organizations, and the like—can play an important role in the success of a new venture, influencing the venture's ability to acquire capital and industry information, share resources and capabilities, or benefit from their peers' relationships with buyers and suppliers.

Benjamin Hallen, assistant professor of strategy, explored the mechanisms by which entrepreneurs create this crucial initial set of network ties in a recent paper. Hallen examined 92 U.S. Internet security ventures from the VentureXpert database founded between 2000-02, and their investment ties with professional investors who provided capital and advice in exchange for equity in the new firm. Drawing data from new ventures in the same industry allowed the authors to more accurately compare founder human capital and accomplishments in each firm. Hallen used each venture's original Web pages to find background on founder's educational background, previous accomplishments, previous work relationships, and skill sets.

As you might expect, new ventures are more likely to form a relationship with a potential partner if they are already connected through the founder's network of relationships. But Hallen found that the entrepreneurs only benefit from founder ties for a short period after founding. So who you know does matter, but only within the first year of the new venture's life. Entrepreneurs need to leverage their founder ties soon after they begin their venture, finds Hallen.

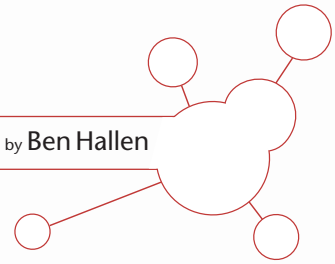
That leads to a tricky trade-off. Initial network position has a long-term effect on a venture's ability to pursue other investors, because investors of similar status tend to invest in the same projects. A high-status investor—one who provides better benefits, introductions and advice—is unlikely to be attracted to a project that already has a circle of lower-status investors. This places entrepreneurs, who are often desperate for an initial inflow of cash, in a difficult position, because while lower status investors can provide needed funding, they also limit the circles from which future investors might come.

"Some entrepreneurs actually end up bringing in more money, but they may be endangering their venture's chances of getting a high status investor," says Hallen.

Entrepreneurs should think carefully, then, about the ties they form. The strong consequences of initial ties suggest that a venture's initial round of investments is a unique opportunity. Even though low-status



Research by **Ben Hallen**



investors may be willing to invest at a higher rate, those relationships will make it more difficult to attract higher-status investors later on.

Hallen also found that well-connected entrepreneurs with high human capital—great resumes and skills—will benefit from pursuing high status investors immediately. But entrepreneurs without great connections and less human capital will be better served by waiting to pursue high-status investors until they have some significant accomplishments under their belts. At that point, they will become more attractive to the high-status investors they seek, and can hope to jump into a higher status circle of investors.

However, Hallen cautions, once an entrepreneur has gotten out a product and has some distinguished accomplishments, he or she should be careful about the investors with whom they choose to work, because an entrepreneur's current network has significant influence over what future investors the entrepreneur can pursue.

Entrepreneurs, who are often desperate for an initial inflow of cash, find themselves in a difficult position—because while lower status investors can provide needed funding, they also limit the circles from which future investors might come.

That's because pursuing investors outside of your network may raise questions about why people in the entrepreneur's network aren't funding the venture. "The implication is that if you can't get funding from people you already know, your venture probably isn't worth funding," says Hallen.

"The Causes and Consequences of Initial Network Positions of New Organizations: From Whom Do Entrepreneurs Receive Investments" is forthcoming from *Administration Science Quarterly*. For more information about this research, please contact bhallen@rhsmith.umd.edu.

Earnings surprises and information asymmetry

New evidence shows how earnings surprises affect a stock's investment visibility and trading activity.

Information asymmetry is one of the factors that drives the spread between the buying and selling price of a stock and pushes up the cost of capital for firms, so there is real economic significance to understanding what drives the activity of privately informed investors and uninformed investors. Meeting or beating analyst's earnings forecasts has also become important, not just to firms but to investors whose behavior is driven by them. But while it is clear that earnings benchmarks are important to investors, and that earnings surprises have a short-term effect on investor's pricing associations and short-term trading reactions, little has been known about how earnings surprises affected a stock's investment visibility and trading activity over the long term.

Stephen Brown, assistant professor of accounting and information assurance, examined the effect of earnings surprises on information asymmetry between informed and uninformed investors. With co-authors Stephen A. Hillegeist, INSEAD, and Kin Lo, University of British Columbia, Brown conducted time-series tests of the association between earnings surprises and the change in information asymmetry before and after the earnings announcement.

Brown and his co-authors considered the trading activity level of informed investors, those with some kind of private knowledge that would influence their trading decisions, and uninformed investors, i.e. those who rely solely on publicly available

information or who trade for liquidity reasons. This latter group includes both individual investors and certain professional investors such as index funds, that maintain balanced portfolios.

They found that information asymmetry decreased in the quarter following a positive earnings surprise, when a firm beat earnings forecasts, and increased during the quarter following a negative earnings surprise, when firms failed to meet an earnings forecast.

Earnings surprises attract media attention, and that extra attention raises awareness of the firms in the minds of investors. When the surprise is positive, there is increased trading activity in the stock. Brown expects this is because newly-aware investors believe that a firm that beat its earnings forecasts represent an attractive buying opportunity.

There are thousands of stocks for investors to choose from, so publicity and media attention brings a stock to the awareness and attention of uninformed investors. Good attention in the form of beating earnings expectations result in a decrease in information asymmetry. Why?

"Beating expectations stop the private information events from occurring," says Brown. "Firms that are doing well are generally happy to share that good news. You always hear about people getting engaged



Research by Stephen Brown

before they actually get married, but you rarely hear about people getting divorced until it has already happened. We humans are eager to share good news and reluctant to share bad news.”

The increase in uninformed trading provides additional camouflage for informed trading, because it is harder for the market maker to tell that any particular trade is based on private information. After a positive surprise, the level of informed trading appears to increase commensurately with the level of uninformed trading on those days when informed traders have private information. However, there are fewer such days on which they have such information and so the overall level of information asymmetry is reduced.

Negative earnings surprises cause a reduction in the level of trading by both uninformed and informed traders, despite the fact that the surprise may garner just as much media attention. This may be because uninformed investors, particularly individual investors, aren't in a position to sell the stock short. However, the reduction in trading by uninformed investors is disproportionately greater than the reduction in trading by the informed and the overall level of information asymmetry increases.

While it is commonly held belief that investors place importance on earnings benchmarks, this study is valuable because it provides evidence for what investors actually do, rather than what executives believe investors do.

A company that doesn't meet its earnings forecasts in a big way, particularly when that follows a string of positive earnings surprises, is more likely to cause greater media attention, which will then cause greater asymmetry.

These changes in information asymmetry persisted for at least a year following the initial earnings surprise, whether it was positive or negative.

While it is commonly held belief that investors place importance on earnings benchmarks, this study is valuable because it provides evidence for what investors actually do, rather than what executives believe investors do.

“The effect of earnings surprises on information asymmetry,” is forthcoming from the *Journal of Accounting and Economics*. For more information about this research, contact sbrown@rhsmith.umd.edu.

Preparing a new generation of scholars

Last year, the Smith School committed \$12 million in additional resources to its PhD program. The program is also benefiting from new leadership: Debra Shapiro, Clarice Smith Professor of Management and Organization, became director of the Smith School's PhD program July 1, 2008.

One of Shapiro's key concerns is the quality of doctoral students' job placement. Over the past five years, 99 percent of Smith's PhD students have been successfully placed immediately after they graduate—about 95 percent as tenure track assistant professors at an accredited university, and the rest as researchers in either private or government organizations.

Shapiro would like to see all doctoral students with at least one or two top-ranked academic journal publications in order to distinguish themselves on the job market, as a tangible demonstration of scholarly expertise. "Top placements will give our students access to resources such as research assistants; funding to support research, including summer money and ample travel funds; computer resources like software, relatively low teaching loads, and relatively high compensation. That in turn will allow them to continue doing high quality scholarship as well as great teaching. In order to get such resource-rich jobs, students need to produce research output while they are here," says Shapiro.

Since writing is an important skill for scholars, the school recently offered a writing workshop for doctoral students led by Roland Rust, Distinguished University Professor and David Bruce Smith Chair in Marketing; Ken G. Smith, Dean's Chaired Professor of Business Strategy; Ritu Agarwal, Robert H. Smith Dean's Chair of Information Systems; and Shapiro, all of whom are current or former editors or associate editors of top journals in their fields. More than a third of all Smith's PhD students attended, and the workshop was so well-received that Shapiro intends to provide a "Part 2." This followup workshop will provide students with specific feedback on papers they bring to the workshop to improve their readiness for submission.

Shapiro is also working to build an increasingly connected intellectual community that supports and encourages cross-functional research. In the Smith School's informal environment, students spend a lot of time working with faculty one-on-one, and there is a significant amount of joint research going on. But much of it is concentrated within academic disciplines. Shapiro recently began an intranet community that she hopes will ease the ability of students and faculty to gather across as well as within discipline-based areas around shared research interests; indeed, Shapiro believes it may assist students and faculty in discovering that they have research interests in common.

To learn more about the Smith School's doctoral program, visit <http://www.rhsmith.umd.edu/doctoral/>.



This year's graduating doctoral students have research that spans a variety of academic areas.

Yun Liu's dissertation consists of three essays that look at the influence of networks and connectedness on Chief Executive Officer (CEO) labor market outcomes, constructing measures that capture multiple aspects of connectedness and then test whether, how, and to what direction they affect the hiring of CEOs, CEO replacement, and compensation paid to CEOs.

Chaodong Han's dissertation examines how globalization—particularly global sourcing, exports, and operations in foreign markets—may have affected inventory and financial performance, from both firm and industry perspectives, enhancing the understanding of inventory management in a global context and helps management with decision making on both inventory management and global strategy.

Peggy Tseng's dissertation studies performance schedules of a live performance event and their impacts on ticket sales. She decomposes the spatial effect into geographic effect and temporal effect, examines heterogeneity across markets, and investigates word of mouth effect.

Yingjie Lan's dissertation examines how to make revenue management decisions when information about demand is limited. Lan has developed revenue management methods whose only requirement consists of upper and lower limits on demand within various customer (price) classes. Read more about Lan's research with Smith faculty Michael Ball and Itir Karaesman at Research@Smith Online.

Andrew Hall's dissertation applies Markov decision process and goal programming to individual and institutional decisions in military manpower planning; he also addresses gradient estimation in stochastic simulation of a new class of exotic options.

Lori Kiyatkin's dissertation explores health promotion and health care cost management to demonstrate the significant positive organizational performance implications of employee health and an organizational culture of wellness, exploring the crucial impact of employee health on organizations and the potential role of organizations as agents of social health promotion.

Francine Espinoza's dissertation investigates how consumers' goals and motivations influence compliance with a product recommendation or willingness to pay for a product, illuminating the interplay of intrinsic and extrinsic motivations that affect consumers while bringing implications for advertising and selling.

Faculty Awards and Honors

Doron Avramov, associate professor of finance, received a Q-group award for his paper, "Credit Ratings and the Cross Section of Stock Returns."

Hui Lao, associate professor of management and organization, received the 2009 Distinguished Early Career Contributions Award from the Society of Industrial and Organizational Psychology (SIOP) in recognition of her research.

"*The Transformation Age*," a book authored by **Henry Lucas**, Smith Professor of Information Systems, and turned into a PBS documentary, received the Golden Eagle Trophy from CINE recognizing excellence in broadcasting.

Dilip Madan, professor of finance, gave the keynote address at the Third Annual Hedge Fund Conference at Imperial College in London.

A recent paper in the *Journal of Finance* by **Vojislav Maksimovic**, Dean's Chair Professor of Finance, and Gordon Phillips, Bank of America Professor, "The Industry Life-Cycle, Acquisitions and Investment: Does Firm Organization Matter?" is a finalist for the Brattle Best Paper prize.

Louiqa Raschid, professor of information systems, has been named a Distinguished Scientist by the ACM (the Association for Computing Machinery) in recognition of her individual contributions to both the practical and theoretical aspects of computing and information technology. The new ACM Distinguished Members include computer scientists and engineers from some of the world's leading corporations, research labs, and universities.

Michel Wedel, Pepsico Professor of Consumer Science, received the Werner Pommerehne Prize for best paper in the *Journal of Cultural Economics*, 2004-2005.

Russell Wermers, associate professor of finance, received the Banque Privée Espírito Santo and Swiss Finance Institute Award, awarded at the Swiss Finance Institute annual meeting in Geneva.

Editorial Appointments

Chrysanthos Dellarocas, associate professor of information systems, is senior editor of *Information Systems Research*.

Wolfgang Jank, associate professor of management science and statistics, joined the editorial boards of *Management Science* and the *Journal of the American Statistical Association*. He was elected program chair for the marketing section of the joint statistical meetings 2010.

Rachelle Sampson, assistant professor of business, logistics and public policy, was appointed to the editorial board of *Organization Science*.

Conferences

The Center for Complexity in Business (CCB) will hold its inaugural conference on April 24, 2009. Speakers include Josh Epstein, director of the Center on Social and Economic Dynamics, The Brookings Institute; Kathleen Eisenhardt, Stanford University; Doyne Farmer, Santa Fe Institute; Brian Uzzi, Northwestern University; Smith School faculty Bill Rand, the center's research director and assistant professor of marketing; and Roland Rust, David Bruce Smith Chair in Marketing, Distinguished University Professor, and executive director of the center.

The CCB was launched in 2008 to focus on the application of complex systems research to business problems. The center's focus includes applications of complex systems methods, such as agent-based simulation, to analyze and solve problems that arise when a large number of entities—consumers, employees, traders, firms, etc.—interact in ways that stretch the limits of traditional management tools like game theory, operations research, statistical analysis, controlled experiments, qualitative methods, and the like. The center is interdisciplinary and draws on the expertise of faculty from across the Smith School and the University of Maryland, including decision, operations and information technologies; marketing; and computer science.

The center's leadership team includes director **Chrysanthos Dellarocas**, associate professor of decision, operations and information technologies; executive director **Roland Rust**, David Bruce Smith Chair in Marketing, Distinguished University Professor, and executive director of the Center for Excellence in Service; and research director and assistant professor of marketing **William Rand**.

For more information, contact ccb@rhsmith.umd.edu.



Smith Professor Named University's Outstanding Faculty Educator

University of Maryland students and their parents selected **Mark Wellman**, Tyser Teaching Fellow, for the University of Maryland's 2008 Outstanding Faculty Educator Award. The award is presented each year by the Maryland Parents Association to honor a faculty member who demonstrates a deep commitment to providing an exemplary education experience for students. Wellman is a faculty member in the Smith School's department of management and organization and serves as director of the Business, Society & Economy program for the university's College Park Scholars program.

Wellman teaches in the areas of global strategy and organizational change. He has received numerous awards for teaching, including the Allen J. Krowe Teaching Excellence Award for his outstanding contribution to business education. His approach includes innovative classroom activities, such as a mountain-climbing simulation as a lesson in teamwork and decision making. In his role within the College Park Scholars program, Wellman has organized several co-curricular activities, including a trip to Walt Disney World's Disney Institute last May to learn about the Disney approach to business and management.

Before returning to the classroom in 2001, Wellman served as the assistant dean of the MBA/MS programs at the Smith School from 1990-2001. During his tenure, he was part of an ambitious effort to enhance the reputation of the MBA program.

\$25 Billion Wasted By Poor Communication in Health Care System

Inefficiencies caused by poor communication in the national health care system wastes about \$25 billion per year of caregiver time and resources, according to a research briefing published by the Smith School's Center for Health Information and Decision Systems (CHIDS). The briefing is based on research by Ritu Agarwal, Robert H. Smith Dean's Chair of Information Systems and director of CHIDS; Daniel Z. Sands, senior medical informatics director, Cisco Internet Business Solutions Group and assistant clinical professor of medicine, Harvard Medical School; and Jorge Diaz-Schneider.

To read more about this research or learn more about CHIDS, visit www.rhsmith.umd.edu/chids.

Featured Researchers

Kathryn M. Bartol, Robert H. Smith Professor of Management and Organization, received her PhD from Michigan State University. She is the past dean of the fellows of the Academy of Management, as well as a past president of the Academy of Management. Her research focuses on knowledge sharing; networks and influence; leadership and empowerment; virtual teams and vital work relationships; information technology and organizations; and rewards, retention, and creativity.

Stephen Brown, assistant professor of accounting and information assurance, received his PhD from Northwestern University. He is a Chartered Accountant and prior to entering academia, worked for Arthur Andersen in both the audit and tax divisions. His research focuses on the causes and effects of disclosures by management on the capital market.

Benjamin L. Hallen, assistant professor of strategy, received his PhD from Stanford University. His research focuses on how entrepreneurs may form network ties with potential resource providers and partners. He studies this question in the context of entrepreneurs raising equity investments from venture capital and corporate investors, with a particular focus on identifying strategies that entrepreneurs may use when they are unknown within an industry and lack prior network ties to investors.

Ken G. Smith, Dean's Chaired Professor of Business Strategy, received his PhD from University of Washington. His research focuses on the areas of competition, competitive advantage, and strategic decision-making. He was editor of the *Academy of Management Review* from 1996-99, elected a fellow of the Academy of Management in 1998 and from 2006-07 served as President of the Academy of Management. He co-authored two books: *The Dynamics of Competitive Strategy* (Sage Publishing, 1992); and *Strategy as Action: Competitive Dynamics and Competitive Advantage* (Oxford Publishing, 2005) and co-edited the *International Handbook of Organizational Teamwork and Cooperative Working* (Wiley & Sons, 2003), and *Great Minds in Management* (Oxford Publishing, 2005).

Smith Faculty on the Finance Crisis

Smith School faculty have been actively involved in advising key players and proposing potential solutions to the finance crisis. Albert "Pete" Kyle, Smith Chair Professor of Finance, worked as an expert for the SEC in conjunction with the OIG report on the collapse of Bear Stearns, briefing congressional staffers for Henry Waxman's Committee on Government Oversight. Kyle and Haluk Unal, professor of finance, held a briefing session for members of the Senate and House Committees on Banking, reporters from *BusinessWeek*, *Dow Jones* and *U.S. News & World Report*, and Department of Justice officials, at the Smith School's downtown Washington, D.C., campus in the Reagan Building. Lemma Senbet, William E. Mayer Chair Professor of Finance, and N.R. Prabhala, associate professor of finance, were invited by Maryland Congressman John Sarbanes to brief his chief of staff and the legislative staff of the federal Oversight and Government Reform Committee on issues relating to the execution of the Paulson economic rescue plan. They and many other Smith finance faculty have provided expert commentary to numerous press outlets and news programs, including ABC, CNN, the *Washington Post*, *Forbes* magazine, Bloomberg, and NPR.

HERE'S A SAMPLING OF THEIR OPINIONS:

Alexander Triantis

Professor and Department Chair of Finance

"One of the questions that emerges from all this is what will happen to financial engineering? I've heard people say that the whole structured mortgage market will be wiped out; no one will do these packages of securitized loans anymore. That would be unfortunate. Financial engineering in some cases is a way to get around taxes and accounting, and that's not helpful from a societal aspect. But financial engineering can create a way for people to manage their risks and tailor their risk return, and I don't want to get rid of that."

Lemma Senbet

William E. Mayer Chair Professor of Finance

"We need to be sure compensation design is providing executives with incentives to perform, as opposed to incentives to manipulate performance. Research and development has a long-term influence on a company, but it does not have a short-term affect on profits, so there may be an incentive to delay R&D in favor of short-term profit...that is why we need to look at how compensation is structured."

Albert "Pete" Kyle

Smith Chair Professor of Finance

"The trend recently, before the last year or so, has been toward deregulation. What you're going to see in the next two or three years is that the government will be extremely, heavily involved in the financial markets. Fannie Mae and Freddie Mac will continue to be big problems and government will have stakes in banks it will need to decide what to do with. After two or three years of active involvement, I can see the focus shifting toward how to get government regulation into balance."

N. R. Prabhala

Associate Professor of Finance

"This crisis is not entirely about credit or liquidity, but about consumer confidence in the residential home market. Some kind of direct relief to homeowners, or to buyers of homes, such as a tax break or perhaps direct subsidies of closing costs, might stimulate interest in buying homes. Of course that assumes that home prices are depressed below their actual value."

Read more about Smith School thought leadership at our Web site.

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UNIVERSITY OF MARYLAND

The University of Maryland, College Park, is one of the nation's top 20 public research universities. In 2007, the University of Maryland received approximately \$407 million in sponsored research and outreach activities. The university is located on a 1,250-acre suburban campus, eight miles outside Washington, D.C., and 35 miles from Baltimore.

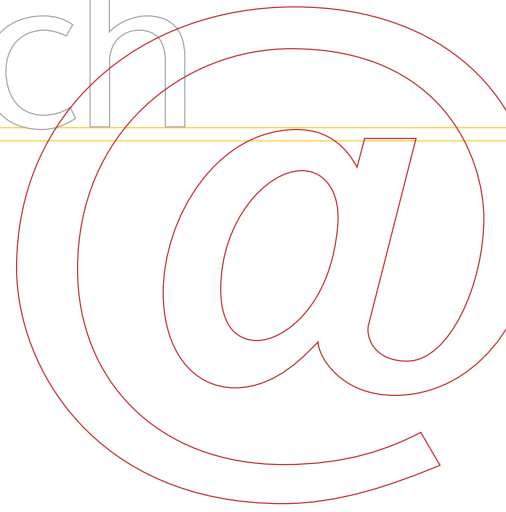
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The Robert H. Smith School of Business is an internationally recognized leader in management education and research. One of 13 colleges and schools at the University of Maryland, College Park, the Smith School offers undergraduate, full-time and part-time MBA, executive MBA, MS, PhD, and executive education programs, as well as outreach services to the corporate community. The school offers its degree, custom and certification programs in learning locations on three continents—North America, Europe and Asia. More information about the Robert H. Smith School of Business can be found at www.rhsmith.umd.edu.

Research

IN THIS ISSUE

- *Why some companies come forward*
- *Networking advice for new ventures*
- *Earnings surprises and information asymmetry*



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