Research Interests and Experience

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I. Introduction

In this document I describe my research agenda and highlight the projects that I am currently working on. As an empirical corporate finance researcher, I am interested in the various mechanisms that help shape CEO and director incentives and decision-making. These mechanisms include, among other things, corporate governance practices, compensation, antitakeover provisions, networks, and CEO and director labor markets. Several of my papers have explored how these mechanisms influence specific career and firm outcomes. I am also interested in research relating to capital structure, shareholder perks, short sales, the intersection of finance and law, and the econometric methods that allow for identification in corporate finance settings. Given my research interests, my co-authors include both financial and legal scholars. I briefly discuss my research agenda below and then summarize my published and active working papers at the end of this document.

II. CEO and Director Labor Markets

Two of my published and one of my working papers explore different aspects of CEO and director labor markets. The first paper "Does the Director Labor Market Offer Ex Post Settling-up for CEOs? The Case of Acquisitions" was published in the *Journal of Financial Economics* in 2013 and investigates whether poor acquisition decisions affect a CEO's future success in the director labor market. Prior literature going back to Fama (1980) suggests that competitive executive labor markets offer "ex post settling-up" in the form of fewer future directorship opportunities for executive decisions that are not in the shareholders' interests. This paper highlights an interesting setting in which to test this idea. Our results show that the rewards for acquisition experience outweigh the settling-up effects that earlier papers suggest influence CEO career concerns.

The second paper in this area, "Do Outside Directors Face Labor Market Consequences? A Natural Experiment from the Financial Crisis," was published in the *Harvard Business Law Review* in 2014. This paper uses the sudden increased focus on directors at financial firms during and following the 2008 financial crisis to explore whether directors at poorly performing financial firms experienced decreased compensation or success in the director labor market going forward. We find limited negative repercussions for these directors suggesting that the director labor market did not hold these directors responsible for their firm's various financial-crisis-related problems.

The third paper in this area, "Luck and Skill in the Director Labor Market," is a work in progress. It is joint work with David Yin (Miami University) and Jarrad Harford (University of Washington). This project looks at the role luck plays in the director labor market. The general consensus in the finance literature is that the US director labor market is a competitive market that values shareholder-friendly decision making as well as qualifying characteristics that help individuals be effective directors. In this paper, we ask whether the director labor market also rewards luck. Essentially, are CEOs and directors advantaged in their future success in the director labor market for changes in firm performance that are not due to their efforts in the same way that they benefit from changes in firm performance that arguably are due to their efforts? And, given that luck can go in both directions, does the director labor market react symmetrically to both "good" and "bad" luck? This project is a late-stage project. We have a working draft of this paper and have gathered feedback from presentations and a reviewer's comments that came with a rejection at a journal. We need to revise the paper based on the feedback we received before moving forward with this idea.

III. Governance, Antitakeover Provisions, and Mergers[1]

Although Gompers, Ishii, and Metrick (2003) originally formulated the G-index as a measure of shareholder rights, the index has subsequently been used extensively as a proxy for takeover defenses in the finance literature. Various papers have focused on the effects of individual provisions within the index whereas others have focused on the effects of small groups of provisions. I have published four papers in this area. One paper "Golden Parachutes, Severance, and Firm Value" was published in the *Florida Law Review* in 2016 and questions the negative relation between firm value and golden parachutes documented in earlier finance research.

The second paper "Do Takeover Defense Indices Measure Takeover Deterrence?" was published in the *Review of Financial Studies* in 2017. This paper proposes two new instruments that can be used in two-stage-least-squares (2SLS) models to test whether higher numbers of G-index provisions are indeed associated with lower takeover likelihoods. The previous empirical evidence related to this question was mixed and clouded by endogeneity questions. Our paper suggests a novel way around the endogeneity and shows that higher G-index and E-index values are indeed associated with lower takeover likelihoods after accounting for endogeneity.

The third paper "Golden Parachutes and the Limits of Shareholder Voting" was published in the *Vanderbilt Law Review*. This paper examines the effects of the Say-on-Golden-Parachute (SOGP) vote instituted with the Dodd-Frank Act in 2010. We draw attention not only to the results of these votes but also to key differences in incentives that exist for SOGP votes compared with the more widely studied Say-on-Pay (SOP) votes.

The fourth paper in this area, "Which Antitakeover Provisions Matter?" was published in 2022 in the *Journal of Corporate Finance* and was a direct extension of my previous paper published in the *Review of Financial Studies* in 2017. The RFS paper shows that higher G-index values are associated with lower takeover likelihoods after accounting for endogeneity but does not examine which of the 24 G-index provisions drive this result. The 2022 paper examines which specific provisions are related to lower takeover likelihoods.

IV. Other Areas: Compensation, Trade Relationships, Shareholder Perks, Econometrics, Capital Structure, Spin-offs, Home Bias

I also have papers in several other areas of corporate finance. I describe each briefly below. Although not directly related to the two general topic areas described above, I find each of these topics interesting and would welcome the chance to pursue follow-on papers in these areas. The paper "Right on Schedule: CEO Option Grants and Opportunism" was published in the *Journal of Financial and Quantitative Analysis* in 2018 and explores the incentives created by scheduled option grants. Following the negative media attention focused on option backdating, many firms started awarding option grants in 2006 using fixed schedules. This paper highlights the perverse incentives created by such schedules and provides evidence that CEOs respond to these incentives.

The paper "Trade Relationships, Indirect Economic Links, and Mergers" was published in *Management Science* in 2019. This paper shows how significant trade relationships and indirect economic links incrementally explain which firms are more likely to be involved in acquisitions, which pairs of firms are

[1] In the organization of this document, I grouped the merger-related papers in a different section than the spin-off and diversification discount papers. An alternative topical grouping could have combined these papers under a single broadly defined category related to firm structure and organization decisions.

more likely to merge, and which mergers will have the greatest impact, both on value and in motivating follow-on mergers by rivals. We find that firms with major trade relationships are significantly less likely to acquire, or be acquired, by firms that do not share in those specific trade relationships.

The paper "Shareholder Perks, Ownership Structure, and Firm Value" was published in the *Review of Financial Studies* in 2021. This paper explores the effects of increasing small shareholders in a firm's ownership structure by focusing on shareholder perk programs. Shareholder perks are in-kind gifts or purchase discounts that disproportionately reward small shareholders. Using data from Japanese firms, we show that firms initiating perk programs decrease the concentration of share ownership by attracting small individual shareholders and that these same firms also experience an increase in value, an increase in share liquidity, and a decrease in the equity cost of capital. These results highlight how the relation between ownership structure and firm value does not conform to a one-size-fits-all model and can be idiosyncratic to individual firms.

The paper "Determinants of Capital Structure: An Expanded Assessment" was published at the *Journal of Financial and Quantitative Analysis* in 2023. The finance literature over time has highlighted dozens of possible variables and several competing theories related to capital structure. In this project we categorize the existing theories using a novel approach and, after identifying proxies related to each theory, we test combinations of proxies to determine which theory best explains capital structure. Many of the proxies that are included in this paper have been suggested in journals such as the *Journal of Finance*, the *Journal of Financial Economics*, and the *Review of Financial Studies* in recent years and hence were not part of earlier survey papers on capital structure.

"Diagnosing Instrument-Induced Bias: A Test for Control Variable Contamination in 2SLS Models" is a late-stage complete draft working paper. This paper highlights the common practice in empirical finance to instrument only the key variable of interest in 2SLS models but then to include, as though exogenous, an assortment of control variables that may themselves also be endogenous. This paper draws attention to the fact that if the instrument on the key variable of interest is correlated with the other control variables, then significant bias can occur in the key 2SLS estimate even if the instrument is strong. In this paper we develop a new diagnostic test to detect and quantify the size of the bias in the key 2SLS coefficient. Applying these tools to the diversification discount literature, we illustrate how the presence of instrument-control-variable-induced bias casts doubts on the validity of a set of published results. We have presented this paper at three conferences in 2024 and 2025 (Western Economic International Conference, Society for Economic Measurement Conference, American Economic Association Conference) and are in the process of gathering feedback and revising the paper. We have a related follow-on idea that we are interested in pursuing after this paper is published comparing the use of this test versus the Sargan-Hansen overidentified test in 2SLS models.

V. Other Future Research Plans and Interests

In addition to the two working papers discussed above, I currently have two other early-to-mid stage projects that I am actively working on and excited to put into complete draft form later this year. One of these early-stage projects is focused on spin-offs and the other is focused on home or local bias in investment portfolios. I briefly describe both projects below.

The "Spin-off" project is joint work with Terry Nixon at Miami University. There have been thousands of corporate spin-offs in recent decades. In a spin-off, a portion of the firm's assets and operations is spun off as a separate company owned by the same shareholders as existed previously at the parent firm. The main explanations provided in the finance literature for spin-offs tend to focus on one of two ideas: (1) the business and assets of the spun-off entity are different enough from those of the parent firm, that separating the spun-off division from the parent helps it develop and thrive more efficiently than it could as part of the parent firm, and/or (2) the managers feel that the value of the conglomerate firm is less than the sum of the expected valuations of its divisions if they were to exist separately. Under this explanation a spinoff helps the market understand the full value of the assets previously obscured within the larger conglomerate firm. The existing literature tends to talk about spin-offs as creating value by reversing "costly diversification discounts" and suggests that self-interested managers resist selling assets and hence predicts that only well-governed firms are likely to do spin-offs. Much of the existing work in this area uses data from the 1990s. We revisit these early results using a larger partially hand-collected dataset. Our sample is different than past samples not just because it includes spinoffs from the last two decades, but also because we collect and document the specific reasons provided in the actual SEC filings by the managers for the spinoffs. This allows us for the first time in the literature to summarize the actual reasons given by management for the spin-offs, as opposed to academics' theoretical reasons, and to then test how these different reasons relate to the value implications of these events. Using this updated data, we will revisit the prior findings in the literature and test whether spin-offs are in fact associated with value creation in the last 20 years and whether better governed firms are more likely to do spinoffs.

I have an early-stage project related to the home or local bias literature. The existing finance literature contains numerous examples of familiarity-related bias in investments where investors display various forms of home bias in their portfolio holdings. In this paper we examine whether there is evidence of a reverse bias in areas of the world that are hit with major natural disasters. We have collected the data for this project and are in the process of doing the empirical analysis.

I enjoy research and I enjoy collaborating with people. I would welcome the chance to work with new and/or former co-authors on future projects.

VI. Tabular Summary and Classification of Research

My research portfolio includes 12 published and/or full-draft working papers as well as several exciting early-stage ideas. These papers are also described at www.rschonlau.org/research. Summary information on each of the papers mentioned above is shown in the table below. This information includes each paper's topic areas, journal (if published), and co-authors. The most recent Scimago Journal Ranking (SJR) and the most recent Clarivate (formerly Thomson Reuters) Journal Citation Impact Factor Journal Rankings (JCR) are listed next to each article published in a finance journal. For example, the first row of the table reports that the *Journal of Financial Economics* (JFE) was ranked using data up through 2024 as the 2nd of 332 journals evaluated in the Scimago ranking finance category. The JCR rankings listed below are based on impact factors. For the law publications, the 2025 US News Best Law School overall ranking is shown.[2] Journals that are part of the Financial Times 50 list are noted. My publications appear in top-tier finance and law journals. My co-authors include finance and legal scholars from CSU, Stanford, Berkeley, University of Washington, BYU, University of Michigan, Miami University, and other schools. I enjoy working with co-authors and look forward to expanding my network of co-authors on future projects.

Paper	Topics	Journal	Journal Rank/Indications of Impact	Co-authors
Does the Director Labor Market Offer Ex Post Settling-up for CEOs? The Case of Acquisitions	CEO and director labor markets, career concerns, mergers	*Journal of Financial Economics* (2013)	○ SJR Rank: 2 / 332 in Finance ○ JCR Rank: 1 / 241 in Finance ○ JCR Rank: 3 / 617 in Economics ○ SJR Rank: 6 / 738 in Economics & Econometrics ○ Financial Times 50 Journal	Jarrad Harford (University of Washington)
Do Outside Directors Face Labor Market Consequences? A Natural Experiment from the Financial Crisis	Director labor markets, career concerns, financial crisis, compensation	*Harvard Business Law Review* (2014)	○ US News: 6 / 197 Best Law Schools	Steven Davidoff Solomon (Berkeley Law) Andrew Lund (Villanova Law)
Golden Parachutes, Severance, and Firm Value	Governance, compensation, G-index	*Florida Law Review* (2016)	○ US News: 38 / 197 Best Law Schools	Andrew Lund (Villanova Law)
Do Takeover Defense Indices Measure Takeover Deterrence?	Governance, antitakeover provisions, G-index, mergers	*Review of Financial Studies* (2017)	○ SJR Rank: 3 / 332 in Finance ○ JCR Rank: 25 / 241 in Finance ○ SJR Rank: 8 / 738 in Economics & Econometrics ○ Financial Times 50 Journal	Jon Karpoff (University of Washington) Eric Wehrly (Western Washington University)

[2] For the law journal publications I listed the 2025 US News Best Law Schools overall rank for each school. This approach assumes that the law journals published by each school would be comparable in relative quality to the school's overall ranking when compared to other law schools. See https://www.usnews.com/best-graduate-schools/top-law-schools/law-rankings for the school rankings.

Right on Schedule: CEO Option Grants and Opportunism	CEO compensation, governance	*Journal of Financial and Quantitative Analysis* (2018)	○ SJR Rank: 13 / 332 in Finance ○ JCR Rank: 67 / 241 in Finance ○ SJR Rank: 32/ 738 in Economics & Econometrics ○ Financial Times 50 Journal	Rob Daines (Stanford, retired) Grant McQueen (BYU, retired)
Trade Relationships, Indirect Economic Links, and Mergers	Mergers, trade relationships, networks	*Management Science* (2019)	○ SJR Rank: 1 / 217 in Management Science & Operations Research ○ JCR Rank: 97 / 420 in Management ○ Financial Times 50 Journal	Jarrad Harford (University of Washington) Jared Stanfield (University of Oklahoma)
Golden Parachutes and the Limits of Shareholder Voting	Governance, antitakeover provisions, mergers	*Vanderbilt Law Review (2020)*	○ US News: 14 / 197 Best Law Schools	Andrew Lund (Villanova Law) Albert Choi (University of Michigan)
Shareholder Perks, Ownership Structure, and Firm Value	Payout policy, shareholder perks	*Review of Financial Studies* (2021)	○ SJR Rank: 3 / 332 in Finance ○ JCR Rank: 25 / 241 in Finance ○ SJR Rank: 8 / 738 in Economics & Econometrics ○ Financial Times 50 Journal	Jon Karpoff (University of Washington) Katsushi Suzuki (Hitotsubashi University)
Which Antitakeover Provisions Matter?	Governance, antitakeover provisions, mergers	*Journal of Corporate Finance* (2022)	○ SJR Rank: 19 / 332 in Finance ○ JCR Rank: 19 / 241 in Finance	Jon Karpoff (University of Washington) Eric Wehrly (Western Washington University)
Determinants of Capital Structure: An Expanded Assessment	Capital structure	*Journal of Financial and Quantitative Analysis* (2023)	○ SJR Rank: 13 / 332 in Finance ○ JCR Rank: 67 / 241 in Finance ○ SJR Rank: 32 / 738 in Economics & Econometrics ○ Financial Times 50 Journal	Todd Mitton (BYU) Toshinori Fukui (Monash University)
Diagnosing Instrument-Induced Bias: A Test for Control Variable Contamination in 2SLS Models	Econometrics, 2SLS, diversification discount	○ Full-draft - work in progress ○ Presentations: Western Economic International conference (June 2024), Society for Economic Measurement conference (August 2024), Colorado State University finance (September 2024), American Economic Association conference (January 2025)		Asad Dossani (CSU) Jeff Dotson (Ohio State)

Luck and Skill in the Director Labor Market	CEO and director labor markets	○ Late-stage project. This paper was rejected from a journal and needs to be re-written before moving forward.	Jarrad Harford (University of Washington) David Yin (Miami University)
Spin-offs	Spin-offs, managerial decision making	○ Early-stage project ○ Unique dataset that includes SEC filings discussing reasons provided by managers for the spin-offs.	Terry Nixon (Miami University)
Home Bias in Mutual Fund Holdings, Revisited	Behavioral biases in investing, mutual funds	○ Early-stage project	Hilla Skiba (CSU) Bharad Kannan (Penn State)