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LUBIN BUSINESS REVIEW

Cutting-Edge Research For Today's Business Professionals

IN THE JOURNALS

ON THE BOOKSHELF

EDITORS' INTRODUCTION

Welcome to the inaugural issue of the *Lubin Business Review* (LBR).

The mission of LBR is to translate cutting-edge research for practical use by today's business professionals. This is a primary objective of AACSB International, the premier accrediting organization for business schools in the world (of which Lubin is one of fewer than 3% of institutions worldwide to earn dual accreditations in business and accounting). It is also intended to bridge the increasingly widespread, and continually frustrating gap between business theories and business practice.

Each annual issue of LBR will include extended abstracts of recently published top-tier academic journal articles and scholarly books written by faculty, that have been re-oriented toward an applied practitioner audience. The contributions represent distilled one-page encapsulations of the studies. Further, they are organized into three segments that focus on what is most critical for the business professional: Issue and Importance, Main Findings, and Practical Implications. In this first issue, all of Lubin's departments are represented—Accounting, Finance, Legal Studies and Taxation, Management, and Marketing.

The opening section, *In The Journals*, presents ten recent article abstracts from 'A-level' journals. In ACCOUNTING: Drs. Samir El-Gazzar and Rudolph Jacob discuss "The Relative and Incremental Valuation Effects of Embedded Value Disclosure by Life Insurers"; Dr. Charles Tang writes about "Assessing Financial Reporting Quality of Family Firms: The Auditors' Perspective"; and Dr. Ping Wang explores "Earnings Warnings and CEO Welfare." In FINANCE: Dr. Burcin Col examines "Corporate Social Responsibility and Tax Avoidance"; Dr. Iuliana Ismailescu takes a look at "Credit Default Swaps and the Market for Sovereign Debt." In LEGAL STUDIES AND TAXATION: Dr. Philip Cohen considers "The Long (v. Commissioner) and Short of the Substitute for Ordinary Income Doctrine." In MANAGEMENT: Dr. Melissa Cardon evaluates "Motivational Cues and Angel Investing: Interactions among Enthusiasm, Preparedness, and Commitment"; Dr. Noushi Rahman deliberates "Corporate Reputation's Invisible Hand: Bribery, Rational Choice, and Market Penalties." In MARKETING: Drs. Larry Chiagouris and Vishal Lala review "How Do Digital Natives and Digital Immigrants Respond Differently to Interactivity Online?"; Dr. Lala also talks about "Intergenerational Influence in Consumer Deal Proneness."

The next section, *On the Bookshelf*, presents four recent book abstracts from internationally prominent publishers. Dr. Aron Gottesman (Wiley) looks at *Derivatives Essentials: An Introduction to Forwards, Futures, Options, and Swaps*. Dr. Roy Girasa (Palgrave Macmillan) deals with *Shadow Banking: Rise, Risks, and Rewards of Non-Banking Financial Services*. Dr. Eric Kessler (Palgrave Macmillan) studies *Being A True VIP: Managing Importance In Yourself and Others*. Dr. Robert Vambery (Emerald) analyzes *The Exorbitant Burden: The Impact of the US Dollar's Reserve and Global Currency Status on the US Twin Deficits*.

We expect that these selected works will provide you with a snapshot of the latest outstanding research conducted by Lubin faculty. More than this though, it is our hope that they also provide you with added tools to better address the challenges of your profession.

Drs. Eric Kessler and Ping Wang
LBR CO-EDITORS

IN THE JOURNALS

JOURNAL ABSTRACT 1

THE RELATIVE AND INCREMENTAL VALUATION EFFECTS OF EMBEDDED VALUE DISCLOSURE BY LIFE INSURERS: EVIDENCE FROM CROSS-LISTED FIRMS IN THE U.S.

Written by Drs. Samir El-Gazzar*, and Rudolph Jacob** (with S. McGregor) and published in 2015 by *Accounting Horizons*, 29 (2): 327-339.

ISSUE AND IMPORTANCE

Over a decade ago, due to concerns with traditional local accounting standards, European life insurers began disclosing embedded value (EV) information, which is an estimate of the present value of future net cash flows from in-force life insurance business. Moreover, since EV reporting recognizes the value of new business and any unexpected change of in-force business in the year it occurs, it is considered to be a leading indicator of future changes in accounting earnings. However, U.S.-based life insurers have yet to adopt this disclosure, despite several surveys and empirical studies suggesting that EV disclosure provides valuable information in assessing life insurers' performance. This paper examines the incremental valuation effects of EV disclosure in the presence of U.S. Generally Accepted Accounting Principles (GAAP).

PRACTICAL IMPLICATIONS

- Knowing about investors' interpretation of EV disclosure should assist standard setters, such as the Financial Accounting Standard Board and International Accounting Standard Board, in deciding whether financial reporting in the insurance industry will be enhanced by this supplementary disclosure.
- While U.S. analysts remain skeptical of the EV measure, the results of this study should heighten their consideration of this measure in valuing life insurance companies' equity.
- CFOs may be encouraged to disclose such non-regulated financial metrics that enhance transparency in financial reporting and can emanate outside the regulatory process.

MAIN FINDINGS

The study examines the incremental valuation effects of embedded value disclosures of a sample of cross-listed life insurance firms in the U.S. capital markets during the period of 2001-2010. Our results show that embedded value disclosure provides incremental information content in valuing stock prices beyond the traditional accounting measures of U.S. GAAP earnings and book value. This suggests that disclosure of EV by U.S. life insurers would enhance investors' assessment of security prices. More generally, the study sheds light on the economic consequences of fair value reporting.

***SAMIR EL-GAZZAR** is the KPMG Professor of Accounting at the Lubin School of Business. Dr. El-Gazzar is a well-recognized scholar at the national and international levels. He has published in top accounting and finance journals such as *The Accounting Review*, *Journal of Accounting and Economics*, *Accounting Horizons*, *Journal of Accounting, Auditing and Finance*, and *Journal of Business Finance and Accounting* and has served as a reviewer and editorial board member of many journals. He also has consulted with firms for the design of accounting systems and academic institutions in the Middle East and Asia on the development of accounting programs.

****RUDOLPH A. JACOB** is a Professor and Graduate Program Chair at the Lubin School of Business. He is presently the EY Scholar. His research interests include financial, managerial and international accounting issues. He has published numerous papers in top academic and professional journals and also served as an Ad Hoc Reviewer for several journals. Over the years, he has consulted with several businesses on accounting and financial issues and has testified as a forensic economist in accounting and economic litigation matters in federal and state courts.

JOURNAL ABSTRACT 2

ASSESSING FINANCIAL REPORTING QUALITY OF FAMILY FIRMS: THE AUDITORS' PERSPECTIVE

Written by Dr. Charles Y. Tang* (with Aloke Ghosh) and published in 2015 by the *Journal of Accounting and Economics*, 60 (1): 95–116.

ISSUE AND IMPORTANCE

Family firms account for 85% of all companies in the U.S., employ 80% of the U.S. workforce and produce more than half the GNP. Although they are valued more by investors on the stock market and have attracted much interest from researchers, few papers have examined family firm financial reporting quality. Differences in financial reporting quality can reveal variations in firm information risk and thereby explain the source of the family firm premium—the differential valuation of family and non-family firms.

MAIN FINDINGS

By examining audit fees, this research provides insights into the auditors' assessment of financial reporting quality. The research finds that, on average, family firms are associated with lower audit fees that are both economically and statistically significant. This suggests that family firms have superior financial reporting quality and lower information risk than non-family firms. This finding is reinforced by corroborating evidences. First, audit risk is lower for family firms. Second, the audit fee discounts vary with the level of audit risk within the family firm group. Third, family firms have shorter audit report lags, which suggests that auditors work less to provide the desired level of assurance.

PRACTICAL IMPLICATIONS

- Family ownership and control are effective in mitigating the principal-agency problems, reducing audit risk, and providing high-quality financial reports and associated disclosure.
- High-quality financial reporting reduces firm information risk, and thus explains why family firm stocks are valued more by investors.
- Audit fee can be used to extract auditors' assessments of financial reporting quality. Although correlated with the traditional measures of financial reporting quality, audit fee is a more reliable measure of reporting quality because it is less subject to measurement errors and omitted variable problems.

***CHARLES Y. TANG** is an Associate Professor of Accounting at the Lubin School of Business. Dr. Tang's research is primarily in the area of accounting information and equity valuation and has been published in prestigious academic journals including *Journal of Accounting and Economics*, *Accounting Horizons*, *Journal of Accounting, Auditing and Finance*, *Journal of Corporate Finance*, and *Strategic Management Journal*. He has presented his research at national and international conferences such as the American Accounting Association's annual conferences and has been frequently cited by other scholars. In 2015, Dr. Tang was a recipient of Lubin's Excellence in Research Award.

JOURNAL ABSTRACT 3

EARNINGS WARNINGS AND CEO WELFARE

Written by Dr. Ping Wang* (with Masako Darrough and Linna Shi) and published in 2016 by the *Journal of Business Finance & Accounting*, 43 (9–10): 1197–1243.

ISSUE AND IMPORTANCE

Timely disclosure of news is important to investors, especially when firms expect to fall short of market expectations. Issuing warnings ahead of actual earnings announcements brings some benefits to firms in this position, such as reducing the potential class period in the case of litigation. However, a surprisingly small number of companies issue these warnings, suggesting that the decision on whether or not to issue warnings may not be as straightforward as one might think. In this paper, we examine the potential consequences to CEOs who have to decide whether or not to issue these warnings.

MAIN FINDINGS

The study examines US companies from 1996 through 2010. First, we find that compensation committees adjust CEO compensation towards a more incentive based and future-oriented structure after warnings by giving CEOs small bonuses and more options. In addition, we find that CEOs who issue warnings near quarter-end are more likely to lose their jobs the next year than those delivering a negative surprise without warning; but that turnover risk rises if company shares are lagging. Taken together, pay and job-security incentives appear to discourage CEOs from warning investors about negative earnings surprises.

PRACTICAL IMPLICATIONS

- Investors and regulators should be aware that fewer issuances of warnings are not necessarily an indication of better firm performance. CEOs may be discouraged from issuing warnings due to the risk related to reduced remuneration and job security.
- Boards of directors may need to set specific disclosure-related policies in order to encourage CEOs to provide timely disclosure of bad news.
- CEOs may reduce their turnover risk if they are able to improve firms' stock return after issuing a warning.

***PING WANG** is an Assistant Professor of Accounting at the Lubin School of Business. Her research focuses on executive compensation, voluntary disclosure, and financial regulation. Her dissertation, entitled "Consequences of Voluntary Disclosure for CEOs: Evidence from Issuing Earnings Guidance in the Face of an Earnings Surprise", received a best doctoral student award at the American Accounting Association Mid-Atlantic Meeting in 2011. Since then, she has published in *Journal of Accounting, Auditing and Finance*, *Journal of Business Finance & Accounting*, and *Accounting Horizons*. Her research was featured in the Harvard Law School Corporate Governance forum and the *Dow Jones Institutional News*.

JOURNAL ABSTRACT 4

GOING TO HAVEN? CORPORATE SOCIAL RESPONSIBILITY AND TAX AVOIDANCE

Written by Dr. Burcin Col* (with Saurin Patel) and published in 2016 by the *Journal of Business Ethics*, forthcoming.

ISSUE AND IMPORTANCE

Corporate social responsibility (CSR) is broadly defined as the continuing commitment by businesses to behave ethically while improving the quality of life of the workforce, local community, and society at large. Tax avoidance seldom features as a part of CSR activity despite the fact that these practices accrue significant costs to society. In this paper, we study the relation between CSR and tax avoidance by looking at a major form of tax avoidance—firms opening up offshore entities in tax havens.

MAIN FINDINGS

Using hand-collected data on a sample of U.S. firms, we find that firms' CSR ratings increase substantially in two years after they first open tax haven affiliates. This is driven by firms boosting their positive CSR activities instead of curbing down on CSR concerns. Further, we analyze individual components of CSR scores and find that positive activities mostly center on the more visible aspects such as environment, diversity, and human rights. We address reverse causality using the controlled foreign corporations (CFC) "look-through rule" enacted by Congress in 2006 that facilitates offshore profit shifting. We find evidence that firms that are affected by the CFC legislation increase positive CSR practices in response. Overall, our results are consistent with the risk management theory, which argues that firms hedge against the consequences of aggressive tax avoidance practices through increases in positive CSR activities.

PRACTICAL IMPLICATIONS

- Our results contribute to the debate on whether tax avoidance is in line with, or should be considered as part of CSR.
- Some firms do not see any contradiction in engaging in CSR and aggressive tax avoidance practices, even though these practices are often regarded as 'unethical' and 'unpatriotic.'
- Analyzing the consistency of the above through a systematic approach is a critical first step towards understanding the relationship.

***BURCIN COL** is an Assistant Professor of Finance at the Lubin School of Business. Dr. Col received her Ph.D. from McGill University and joined Pace University in 2012. Her research interests lie in the general area of international corporate finance spanning topics such as corporate governance, mergers and acquisitions, political risk, tax avoidance, and corporate social responsibility. She has published on these topics in top academic journals. Her research in corporate governance was awarded grants by the Canadian Foundation for Governance Research and by the NSE-IGIDR Corporate Governance Research Initiative of India.

JOURNAL ABSTRACT 5

CREDIT DEFAULT SWAPS AND THE MARKET FOR SOVEREIGN DEBT

Written by Dr. Iuliana Ismailescu* (with Blake Phillips) and published in 2015 by the *Journal of Banking & Finance*, 52(3): 43-61.

ISSUE AND IMPORTANCE

Research focused on the impact of credit default swap (CDS) trading on the sovereign bond market is relatively sparse, and it is mostly devoted to price discovery in the CDS and underlying sovereign debt markets. In this paper we examine the associated effect of CDS trading initiation on price efficiency and borrowing costs: two characteristics of the sovereign debt market not previously considered. Our findings should be of interest to global financial market regulators contemplating the use of bans in the sovereign CDS market. Constraints on CDS trading may reverse the benefits we document and reduce the overall quality of the sovereign debt market.

MAIN FINDINGS

The study analyzes the determinants and effects of CDS trading initiation in the sovereign bond market. We find that CDS trading initiation is associated with a significant reduction in sovereign bond yields, with greater yield reductions accruing to higher default risk economies. For countries with high default risk, CDS initiation is also associated with significant price efficiency benefits in the underlying market. Moreover, we find that CDS trading initiation is more likely following increases in local equity index volatility, index spreads for regional and global CDS markets, or depreciation of the local currency relative to the US dollar, and decreases in a country's ability to service foreign debt.

PRACTICAL IMPLICATIONS

- Following CDS trading initiation, sovereign debt markets become more informative. On average, borrowing costs decline at least for high default risk countries for which it likely matters the most.
- Investors should be aware of the differing effects of CDS trading initiation on the corporate and sovereign bond markets: they are mostly negative for the former, but broadly positive for the latter.
- Constraints on CDS trading may have negative effects on the sovereign debt market.

***IULIANA ISMAILESCU** is an Associate Professor of Finance at the Lubin School of Business, Pace University. Her research interests include credit risk and credit derivatives, emerging debt and equity markets, and international finance. Her research is published in the *Journal of Banking and Finance*, *International Review of Finance*, *Review of Pacific Basin Financial Markets and Policies*, *The American Economist*, *Journal of Investment Management*, and others. She co-authored a mathematics book in Romanian and contributed several chapters to *Interest Rate Risk Modeling* and *Dynamic Term Structure Modeling*. Ismailescu is the recipient of the FMA 2007 Best Dissertation Proposal Award in International Finance.

JOURNAL ABSTRACT 6

THE LONG (v. COMMISSIONER) AND SHORT OF THE SUBSTITUTE FOR ORDINARY INCOME DOCTRINE

Written by Philip G. Cohen* and published in 2016 by the *Pittsburgh Tax Review*, 13: 151-196.

ISSUE AND IMPORTANCE

Capital gain characterization can result in a significant tax benefit to individuals. The substitute for ordinary income doctrine often serves as an additional judicially formulated limitation beyond the explicit statutory exceptions set forth in Internal Revenue Code section 1221 to capital asset status. It is therefore an impediment on what has been colorfully described as "the golden road to capital gain treatment." The substitute for ordinary income doctrine essentially provides that in certain, but not all, cases the "right to receive payments that would be ordinary income if received in due course is taxed on the substitute payment as ordinary income rather than as capital gain." It is important for tax planners, the IRS, and the courts to correctly determine under what circumstances the doctrine should apply.

MAIN FINDINGS

Through the prism of a recent Eleventh Circuit Court of Appeals decision, Long v. Commissioner, the paper attempts to clarify under what conditions, utilization of the doctrine should (and should not) be warranted. In general, it is found that the substitute for ordinary income doctrine should not be utilized when there has been a transfer involving a vertical slice ("that is, the entire interest of the assignor in the property or a fraction of his interest, extending over the life of the property") of an appreciated equitable interest in property conferring a future right to earn income.

PRACTICAL IMPLICATIONS

- While much of Federal income tax law is governed by the Internal Revenue Code and Treasury Department regulations, the judicially created substitute for ordinary income doctrine is an example that some important tax laws practitioners must deal with go well beyond the statute. A thorough understanding of the case law in this area is critical.
- The tax planner needs to know when the substitute for ordinary income doctrine is likely to be applied by the courts. This paper hopefully serves as a useful guide to this matter.

***PHILIP G. COHEN** is an Associate Professor of Taxation at the Lubin School of Business, Pace University and a retired Vice President—Tax & General Tax Counsel for Unilever United States, Inc. He holds B.A., New York University; J.D., Duke University School of Law; LL.M. (Taxation & Labor Law), New York University School of Law; M.B.A. (Accounting) George Washington University.

JOURNAL ABSTRACT 7

MOTIVATIONAL CUES AND ANGEL INVESTING: INTERACTIONS AMONG ENTHUSIASM, PREPAREDNESS, AND COMMITMENT

Written by Dr. Melissa Cardon* (with Cheryl Mitteness and Richard Sudek) and published in 2017 by *Entrepreneurship: Theory and Practice*, 41 (6).

ISSUE AND IMPORTANCE

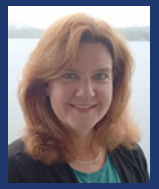
While some angel investors claim to be completely objective in making investment decisions, entrepreneurs are often coached to demonstrate passion and enthusiasm in their pitches, since such qualities are believed to increase investment potential. Indeed, angel investors often make investment decisions based on motivational cues communicated by entrepreneurs during pitches, including emotional enthusiasm, cognitive preparedness, and behavioral commitment to see it through. We examine how these different factors independently and together influence angel investment evaluations of entrepreneurial pitches.

MAIN FINDINGS

In our study, we test the independent and interactive effects of cues by having 72 angel investors complete 1,996 evaluations of 133 live pitches. We find that angels prefer entrepreneurs who signal greater preparedness to run the business they pitch, especially when the entrepreneurs also signal greater commitment in the form of investing their own funds in the venture. However, showing enthusiasm in a pitch can hurt investment potential, especially when entrepreneurs have invested a lot of their own funds, spent a lot of time pursuing the venture, or are seen as having not used money efficiently.

PRACTICAL IMPLICATIONS

- Entrepreneurs seeking funding from angel investors need to have a strong opportunity and be perceived as competent.
- Beyond these factors, investors prefer entrepreneurs who have clearly thought through their business idea and who have demonstrated commitment to seeing it through by investing their own funds.
- However, entrepreneurs should not display too much enthusiasm in pitching their companies to potential investors, especially if they have already spent a lot of personal funds or time pursuing the venture idea. Angel investors may perceive such enthusiasm as inauthentic or indicative of problematic escalation of commitment issues.
- Broad suggestions made to entrepreneurs such as "show your passion" may not always be appropriate or successful in angel funding situations.



***MELISSA CARDON** is a Distinguished Professor of Management and Co-Director of the Faculty Center for Innovative Teaching and Professional Development at Pace University. She studies career transitions within entrepreneurship including entries (motivation, passion) and exits (failure, learning, recovery, and re-entry) and how to help entrepreneurs optimize their emotional, cognitive, and behavioral performance. Her work has been published in journals such as the *Academy of Management Review, Journal of Business Venturing, Entrepreneurship Theory and Practice, Journal of Management Studies, and the Journal of Management*. She is a Field Editor for the Journal of Business Venturing, and serves on several additional editorial boards.

JOURNAL ABSTRACT 8

CORPORATE REPUTATION'S INVISIBLE HAND: BRIBERY, RATIONAL CHOICE, AND MARKET PENALTIES

Written by Dr. Noushi Rahman* (with lead author Vijay Sampath and Naomi Gardberg) and published in 2016 by the *Journal of Business Ethics*, forthcoming.

ISSUE AND IMPORTANCE

How do accusations of corporate bribery and subsequent investigations shape market reactions? We draw upon rational choice and investor attention theories to advance our arguments. We reveal that systematic examination of firm-level misconduct that spans multiple markets is complex and influences managers' rational choice calculations and investors' reactions to wrongdoings. Moreover, investors' reactions to wrongdoings fluctuate due to their focal attention on them. This research is important because it clearly demonstrates that the true cost of corporate misconduct is much larger than the visible penalties that a firm may face.

MAIN FINDINGS

Using event study methodology to measure loss in firm value for public firms facing bribery investigations from 1978 to 2010, we find that total market penalties amounted to $60.61 billion. We also document that companies committing bribery in less corrupt host countries and with the involvement of compromised executives experienced greater market penalties than did other companies. After partitioning share value losses into components for regulatory penalties, class action settlements, and loss to reputation, we find that reputational penalties account for 81.8¢ of every dollar of share value loss. Omission of reputational penalties in rational choice calculus underestimates bribery costs by 4.5 times.

PRACTICAL IMPLICATIONS

- Firms should not underestimate the importance of market-imposed reputational penalties by merely considering regulator-imposed fines and sanctions.
- Firms should invest in rigorous compliance programs to minimize market penalties if faced with misconduct investigations. Bribery prevention is in the best interest of senior executives because tainted elites are likely to be dismissed or prosecuted.
- Managers of multinational enterprises may need additional training to make rational choices as norms and regulations vary across national institutional environments.
- Firms should sufficiently disclose anti-corruption strategies to stakeholders so that they can hold firms accountable for their actions.

***NOUSHI RAHMAN** is a Professor of Management at the Lubin School of Business. Dr. Rahman's research focuses on the interplay between cooperative and competitive strategy, the antecedents and effects of corporate social and environmental responsibility, and causes and consequences of corporate misconduct and reputation. His notable publications have appeared in *Long Range Planning*, *Business & Society*, and *the Journal of Business Ethics*. Professor Rahman and his coauthors Vijay Sampath and Naomi Gardberg are the founding partners of GRS Consulting, a specialty-consulting firm that offers expert assessment about reputational consequences due to various forms of corporate misconduct.

JOURNAL ABSTRACT 9

HOW DO DIGITAL NATIVES AND DIGITAL IMMIGRANTS RESPOND DIFFERENTLY TO INTERACTIVITY ONLINE?

Written by Drs. Larry Chiagouris* and Vishal Lala** (with lead author Colleen Kirk, and Jennifer Thomas) and published in 2015 by the *Journal of Advertising Research*, 55 (1): 81-94.

ISSUE AND IMPORTANCE

The advertising industry has devoted substantial managerial focus on digital information and entertainment. Scholarly attention, however, has lagged in examining important differences between younger and older consumers concerning interactive content. The current study examines the effects of perceived interactivity on attitude and intention to use a new product (adoption intention) in the context of digital information. In particular, we investigate differences in response between younger "digital natives," who were exposed to the Internet in childhood, and older "digital immigrants" exposed to digital content later in life.

MAIN FINDINGS

We find that perceived interactivity has many dimensions including that of perceived control. In addition, the effect of perceived control on adoption intention is positive for younger digital natives but not for older digital immigrants: Digital natives seek greater interactive control over the information-search process. The positive effect of perceived communication in a website on attitude toward the content is stronger for digital natives than for digital immigrants. Digital natives respond more favorably when they perceive opportunities for active involvement in a dialog with the website.

PRACTICAL IMPLICATIONS

- Messaging decisions will need to weight the age of the target audience more heavily as media become increasingly interactive and mobile.
- Interactivity for the sake of interactivity will need to be seen as having limits, depending upon the age of the target audience members.
- As material sourced from magazines accessed from tablets, e-readers, and other mobile devices continues to grow and become more interactive, we can expect consumers to engage with the content in ways that will deviate from the traditional passive responses of the standard print formats.
- The current research advances understanding in what these ways might be, which has implications for managers making informed decisions on digital content, advertising, and expenditures.

***LARRY CHIAGOURIS** is a Professor of Marketing. He currently serves on the editorial review boards of the *Journal of Advertising Research* and the *Journal of Internet Commerce*. He has authored more than 50 articles and books and has held executive appointments for Fortune 500 companies and startup organizations. He served as the Chairman of the Advertising Research Foundation and as a member of the Board of Directors of the American Marketing Association. His publications include one of the first articles on branding in the digital arena entitled "Branding on the Internet," published in *Marketing Management* and the Wiley Encyclopedia section titled "Marketing Functions on the Internet."

****VISHAL LALA** is a Professor of Marketing at the Lubin School of Business. He is passionate about working at the intersection of marketing, statistics, and computer science. His research interests include consumer decision making, electronic media, and promotion. His publications have appeared in marketing and e-commerce journals such as the the *Journal of Advertising Research*, *Journal of Interactive Marketing*, and *Psychology & Marketing*. He holds a Ph.D. in marketing and an MS in Management Information Systems from Oklahoma State University, and an MBA in Marketing and a BSc in Chemistry from University of Bombay.

JOURNAL ABSTRACT 10

INTERGENERATIONAL INFLUENCE IN CONSUMER DEAL PRONENESS

Written by Dr. Vishal Lala* (with lead author Robert Schindler and Colleen Corcoran) and published in 2014 by *Psychology and Marketing*, 31 (5): 307-320.

ISSUE AND IMPORTANCE

Price discounts and other forms of promotional deals are remarkably powerful in spurring consumers to buy. Of course, not all shoppers are drawn to coupons and buy-one-get-one free offers with the same intensity. Although there has been ample research on the correlates of consumer deal proneness, there has been little research on how deal proneness develops.

MAIN FINDINGS

This research explores the role of parents in shaping their children's deal proneness. Across two studies, considerable similarity was found between parents and their adult children in terms of their overall deal proneness. Specifically, if the parent is excited by deals so is the child. Importantly, there is also a lot of similarity in the specific types of deals preferred. If the parent likes sales but not coupons, the child reflected the same deal preferences. This similarity between parents and children is a factor of the level of communication between parents and children and is generally greater among parents with a permissive parenting style. These results provide evidence that consumer enthusiasm for sales promotions is, to at least some extent, transmitted from parents to their children.

PRACTICAL IMPLICATIONS

- Marketers can benefit from targeting the adult children of shoppers who respond favorably to deals.
- A price-focused retailer could promote parent-child discussion on deals, such as an extra discount at a crafts shop for mothers who bring along their daughters.
- Finally, the fact that interest in deals is a disposition often passed along to the next generation suggests that developing a reputation for having outstanding deals and price promotions is an investment likely to have long-term benefits.

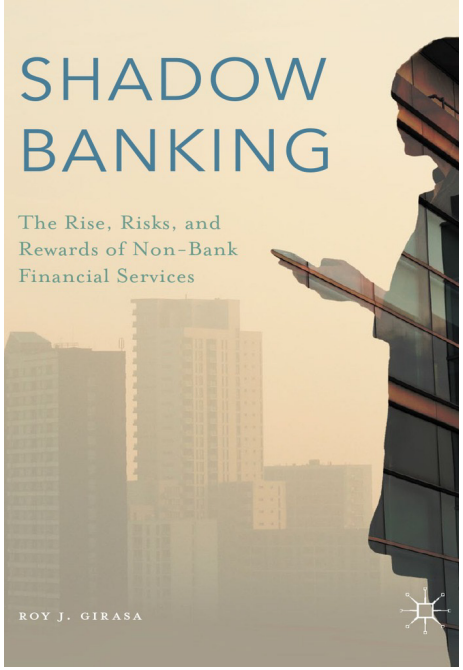
***VISHAL LALA** is a Professor of Marketing at the Lubin School of Business. He is passionate about working at the intersection of marketing, statistics, and computer science. His research interests include consumer decision making, electronic media, and promotion. His publications have appeared in marketing and e-commerce journals such as the *Journal of Advertising Research*, *Journal of Interactive Marketing*, and *Psychology & Marketing*. He holds a Ph.D. in marketing and an MS in Management Information Systems from Oklahoma State University, and an MBA in Marketing and a BSc in Chemistry from University of Bombay.

ON THE BOOKSHELF

BOOK ABSTRACT 1

SHADOW BANKING: RISE, RISKS, AND REWARDS OF NON-BANKING FINANCIAL SERVICES

Written by Dr. Rosario (Roy) Girasa* and published in 2016 by *Palgrave MacMillan*.



ISSUE AND IMPORTANCE

The issue studied here is whether and to what extent, nonbanks (shadow banks) should be regulated. Traditional banking, commencing in the Great Depression, has been subject to a panoply of regulations emanating mainly from the Federal Reserve Board and at least ten other government agencies. Nonbank financial intermediaries, such as hedge funds, had previously escaped from onerous regulatory oversight. Currently, nonbank entities account for over $80 trillion, or one-quarter, of the total global financial assets thus begging the issue presented; particularly after the 2007 *et seq.* global financial crisis.

MAIN FINDINGS

The 1,000-page Dodd-Frank Act, with its 16 titles covering the major institutions of finance, made significant inroads in the regulation of the major types of non-bank financial processes such as hedge funds, mutual funds, repos, securitization, and insurance companies. It created the Financial Stability Oversight Council (FSOC), which was given the power to identify risks to the financial stability of the U.S. that could arise in times of material financial distress, promote market discipline, and respond to the emerging threats thereto. For those nonbank financial entities that are large enough to cause serious disruption to the overall economy if stressed, the Council may designate them as systemically important financial institutions (SIFIs) resulting in significant oversight and the compelled maintenance of enhanced prudential standards.

PRACTICAL IMPLICATIONS

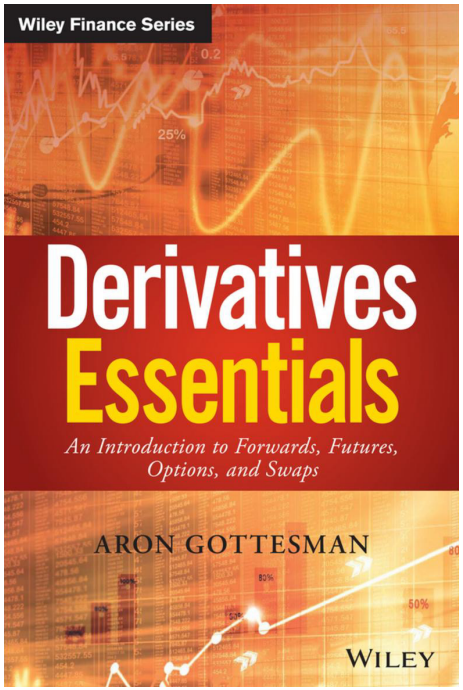
- The result of a FSOC designation as a SIFI has been extremely controversial. The designation of General Electric Capital Corporation as a SIFI caused the company to sell off significant financial lending and other assets to remove the designation.
- MetLife instituted litigation which to-date has been successful in a court finding that negated such designation.
- The Financial Choice Act, passed by the House of Representatives, reflects the growing concern of regulatory overreach. I forecast further Congressional responses.

***ROY GIRASA** J.D., Ph.D. is a Professor of Law at the Lubin School of Business. He is the author of some 130 articles and four books namely: *Cyberlaw: National and International Perspectives*, published by Prentice-Hall; *Corporate Governance and Finance Law*, *Laws and Regulations in Global Financial Markets*, and *Shadow Banking: The Rise, Risks, and Rewards of Shadow Banking*, all published by Palgrave Macmillan. He has taught graduate courses at the University of Shanghai, in Stralsund, Germany, and has lectured throughout India and other countries. He formerly was a trial attorney and counsel to NYS Senator, Olga Mendez.

BOOK ABSTRACT 2

DERIVATIVES ESSENTIALS: AN INTRODUCTION TO FORWARDS, FUTURES, OPTIONS AND SWAPS

Authored by Dr. Aron Gottesman* and published in 2016 by *Wiley Finance*.



ISSUE AND IMPORTANCE

This book provides an in-depth introduction to derivative securities. A derivative security is an agreement between two counterparties whose payoff depends on the value of an underlying asset. The derivative securities that are explored in *Derivatives Essentials* include forward contracts, futures contracts, call options, put options, interest rate swaps, and credit default swaps. *Derivatives Essentials* is based on a popular course that Aron Gottesman teaches at Lubin.

PRACTICAL IMPLICATIONS

- For investors, the book explores products and strategies and the reasons for investing in derivatives.
- For analysts, the book discusses quantitative pricing and valuation models and helps them develop deep understanding as to why the models represent price and value.
- For managers, the book explains the great importance of the sensitivity measures known as the "Greeks" and shows how to use them to understand and characterize products and strategies.

MAIN FINDINGS

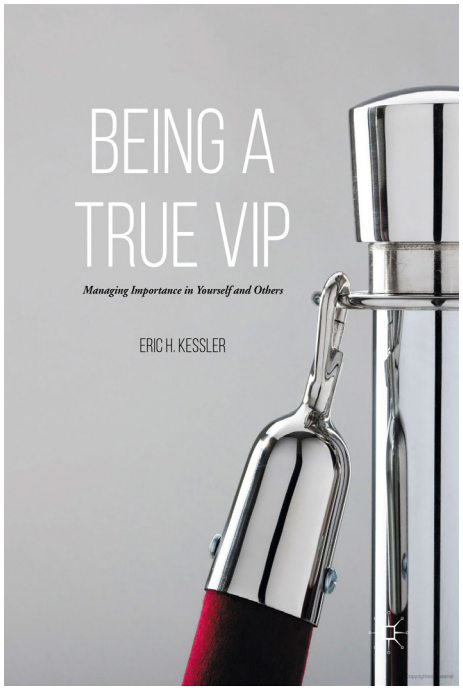
There is extensive interest in derivative securities due to their usefulness as tools through which investors can speculate and hedge exposures. However, many that pursue understanding of derivative securities can be frustrated with educational material that assumes the learner has sophisticated quantitative skills. Further, those with sophisticated quantitative skills can be frustrated with educational material that derives equations with little insight into the economic nature of derivative securities products. The unique characteristic of *Derivatives Essentials* is that it focuses on helping the reader develop a meaningful understanding of derivative securities products and strategies and how to communicate an understanding, both conceptually as well as through equations.

***ARON GOTTESMAN** is a Professor of Finance and the Chair of the Department of Finance and Economics at the Lubin School of Business at Pace University. He holds a Ph.D. in Finance, an MBA in Finance, and a BA in Psychology, all from York University. He has published more than 30 academic articles and books and has been extensively cited in newspapers and popular magazines. Gottesman writes on financial markets, derivative securities, and asset management.

BOOK ABSTRACT 3

BEING A TRUE VIP: MANAGING IMPORTANCE IN YOURSELF AND OTHERS

Written by Dr. Eric H. Kessler* and published in 2016 by *Palgrave MacMillan*.



ISSUE AND IMPORTANCE

The desire to be a Very Important Person (VIP) runs deep in our society and is growing — whether it is through our careers, home life, or engagement with popular culture and social media. But does it actually matter that we feel 'important' and, if so, then how can we harness that feeling to bring out the best in ourselves, our employees, and the people around us?

PRACTICAL IMPLICATIONS

- Importance should be customized for the person; it can resonate differently for different people. Message: Tailor your leadership approach to the particular subject.
- Importance should be fit for the context and criteria; it can mean different things in different places and when measured on different scales. Message: Match your efforts with the particular contingencies.
- Importance should be optimized in its nature; it can be more or less balanced (too high or low) and grounded (too calcified or brittle). Message: Proactively monitor and continuously fine-tune it.
- Importance should be leveraged in its engagement and outcomes; it can be used in better and worse ways to achieve more or less desirable "returns." Message: Channel it wisely for positive results.

MAIN FINDINGS

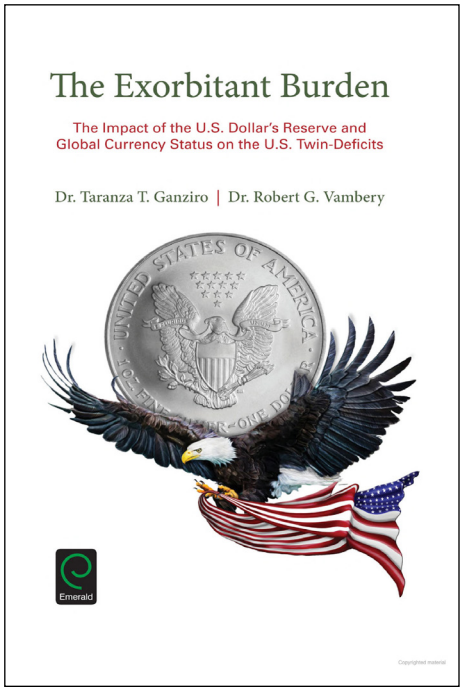
This research project explores the fundamental nature of human importance and how it relates to our success as employees and individuals. It finds that clarifying one's sense of value and significance can actually help us to be better, feel better, and even do better on many different levels by: making us more productive and satisfied, expanding our organizational capabilities, and promoting healthier communities. Based on a clear and focused theoretical framework, this book provides a practical road map for managing the different paths and circumstances that lead to importance, the factors that shape importance, and the consequences of importance both in our professional and personal lives.

***ERIC KESSLER** is the Henry George Professor of Management and founding Honors Director at the Lubin School of Business. A recognized authority on organization management and global leadership, he has published five critically acclaimed books, authored over 100 scholarly papers, and worked with numerous government and private organizations. He is the worldwide general editor of the Encyclopedia of Management Theory, serves on several professional boards, and is a Past President/Fellow of the Eastern Academy of Management. He has also led international field studies traveling across six continents and has been inducted into honorary societies in business, forensics, economics, and psychology.

BOOK ABSTRACT 4

EXORBITANT BURDEN: THE IMPACT OF THE US DOLLAR'S RESERVE AND GLOBAL CURRENCY STATUS ON THE U.S. TWIN-DEFICITS

Written by Dr. Robert Vambery* (and Dr. Taranza Ganziro) and published in 2016 by *Emerald Group Publishing*.



ISSUE AND IMPORTANCE

Recognizing that the dollar continues to be the premiere reserve currency, opposition was inspired by a concern that the U.S. derives exorbitant privileges from the economic influence it can exert through the dollar. This research project focuses on the opposite end of the exorbitant privilege spectrum: the huge burden that is the cost the dollar's reserve status impacts on the U.S. economy through the twin deficits.

PRACTICAL IMPLICATIONS

- The rise of the U.S. dollar to the pre-eminence of global reserve currency status coincides with the rise of the U.S. to a global multilayer-super-power position.
- To achieve and sustain such a position is neither easy nor inexpensive. In order to provide adequate dollar-liquidity to the rest of the world for their foreign exchange reserve accumulation and international transaction settlements, the United States must run current account deficits.

MAIN FINDINGS

This economic and political science work includes a rigorous quantitative analysis that demonstrates that, although it is a privilege and a benefit for the U.S. to have its currency as the leading world reserve currency, the privilege also proves to be a very significant economic and security burden imposed on the nation. Consequently, the U.S. is not only NOT deriving exorbitant benefits from the global status of the dollar, but rather it is absorbing the burdens of significant costs to its economy via the combination of trade and budget deficits, and faces the demons that are embedded into those deficits.

***ROBERT VAMBERY** holds a PhD from Columbia University and is a professor of Marketing and International Business at the Lubin School of Business. He is a former managing editor and editor-at-large of the *Journal of International Business Studies*. He is the co-editor and co-author of the book, *International Business Knowledge* and the author of the book, *Capital Investment Control in the Air Transport Industry*. In 2008 and in 2017, the Global Business and Technology Association granted him its prestigious Global Excellence Award.