

ECNU-UdL Joint Workshop on Innovation, Finance & Marketing

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Abstracts for Presentations

Entrepreneurship & Innovation

**The effects of leader overconfidence on corporate governance
and firm performance**

Laurent Vilanova

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ABSTRACT: *I will present briefly two of my recent research papers that deal with the common theme of the effects of leader overconfidence on corporate governance and firm performance.*

The first paper titled “Authority, motivation, and overconfidence” addresses the questions of who in a firm's hierarchy makes investment decisions and how the need to motivate subordinates influences the delegation of authority. I present a simple model of a manager and a subordinate who interact before, during, and after project selection. Before project selection, the subordinate can make a search effort in order to better evaluate the state of nature, and recommends the manager which project to select. During project selection, the manager can either overrule or rubberstamp the subordinate's recommendation. After project selection, the subordinate decides on the intensity of his implementation effort. Performance depends both on the correctness of the selected project and on the intensity of the implementation effort. Results show that managers tend to over-delegate decision-making when projects need a high implementation effort. Managerial overconfidence mitigates the manager's tendency to over-delegate and may be socially optimal. The model also shows that the subordinate's equilibrium search effort is not monotonic in his search skills nor in the manager's willingness to delegate. Some subordinates with moderate-to-high skills prefer to stay ignorant and not to participate in decision-making even if managers are prone to delegate. I discuss implications on the feasibility and the optimality of decentralized decision-making.

The second paper titled “Does CEO overconfidence always hurt organizational performance? A social and deception-based theory” explores the possibility of a curvilinear relationship between CEO overconfidence and organizational performance by developing a new theory that explains how and when moderate levels of CEO overconfidence increase performance. Our basic argument is that CEO overconfidence impairs the accuracy of decisions and leads the focal firm to overinvest but may also increase the firm's capacity to extract value from selected projects. These potential benefits come from the fact that CEOs with moderate levels of overconfidence are better at deceiving others than unbiased or highly overconfident CEOs. Thus, this capacity to deceive others may generate social firm-level benefits by inducing favorable reactions in allies (e.g., employees,

providers of resources) and in rivals (e.g., competitors). Overall, our theory defines the conditions under which firms benefit (or suffer) from having leaders with inflated self-views.

Innovation in Leveraged Buyout Companies

Fabio Bertoni

PhD, Professor, emlyon, Associate Dean for Research

ABSTRACT: *We study innovation in a sample of leveraged buyout (LBO) companies in the UK community innovation survey. We distinguish LBO companies in medium- and low-tech (MLT) industries from LBO companies in high-tech manufacturing and knowledge-intensive service (HTKIS) industries. After an LBO, target companies in both HTKIS and MLT industries are more likely than non-LBO companies to introduce management innovations. In addition, after an LBO, targets in HTKIS industries spend more on R&D and are more likely to introduce product innovations than non-LBO companies. Targets in MLT industries spend more than non-LBO companies on design expenditures following the LBO and are more likely than non-LBO companies to introduce management innovations before the LBO.*

Unwrapping Opportunity Confidence: how do different types of nascent entrepreneurs' feasibility beliefs affect venture emergence

Ivana Vitanova

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ABSTRACT: *This research examines whether and how entrepreneurial self-efficacy and low perceived environmental uncertainty – two feasibility beliefs that are assumed to increase one's Opportunity Confidence – have distinct or similar effects on venture emergence. Analyses of PSED data show that both beliefs have a positive indirect effect on venture emergence through increasing the nascent entrepreneur's effort. However, low perceived environmental uncertainty induces other more complex and less positive effects. Overall, our findings suggest that the nature of nascent entrepreneurs' feasibility beliefs matters for startup success.*

Entry, Settlement and Litigation under Sequential Innovation

WANG Chu

ABSTRACT: *We study a patent holding incumbent's incentives to litigate, settle with, and accommodate a new market entrant with a quality improving product. Patent protection is uncertain and is characterized by a patentability standard and patent breadth determined during litigation. While litigation has the benefit of blocking an infringing product, it carries a risk of patent invalidation. As a result, the incumbent accommodates large improvements, which are both less likely to be infringing and*

more differentiated from the incumbent's product. Litigation occurs for incremental improvements, while settlement takes place for moderate improvements, which are sufficiently differentiated from the incumbent's product, but whose litigation is still preferred to accommodation. Improving the incumbent's market position by increasing the quality of his product or the strength of his patent strengthens his litigation incentives, but it can also benefit the entrant since a stronger incumbent mitigates market competition from inferior non-patented product variants. As a result, we find that an entrant's innovation incentives may be higher if the current leading product on the market is protected by a patent.

**Polychronicity in Managing Multiple Goals:
The Effect of Control Formalization and Control Flexibility
Feifei Yang**

ABSTRACT: *We investigate the relationship between organizational control, specifically control formalization and flexibility, and the propensity for organizations to have multiple goals. We extend the traditional sequential attention logic from behavioural theory by drawing insights from the literature on polychronicity – defined as the extent to which organizations focus attention on multiple goals simultaneously. We build our arguments on attentional efficiency logic including directional efficiency for control formalization and adaptive efficiency for control flexibility, and the countervailing mental models that organizational controls shape. In a multi-country sample of 555 organizations, we find moderation effects of control flexibility on the curvilinear (inverted-U) relationship between control formalization and polychronicity in managing multiple goals. Our research opens new avenues of theorizing multiple goals and builds theoretical link between multiple goals and organizational control.*

**The impact of Chinese overseas acquisition on innovation:
A case study of Haier's acquisition of Sanyo
Yuan Yuan**

ABSTRACT: *In this research, by using a patent database we conducted an empirical analysis to focus on the overseas acquisition effect of Chinese company in terms of innovation. The research object of this paper is the researchers of the original Sanyo Electric acquired by Haier. From the results of this study, it was found that rather than young inventors who are active in the front line, veteran researchers transferred to Haier. Furthermore, we also found that the inventors' performance tends to decrease after transfer to Haier. Based on these empirical results, we reveal that Haier are mainly to acquire experienced veteran inventors to teach abundant experience rather than let them to do active innovation activities.*

What is a SIFI? On the Systemic Importance of Financial Institutions as determined by an Extended CAPM with Systemic Risk

Bertrand Maillet

HDR, Professor, emlyon

ABSTRACT: *We propose herein to test an extension of the traditional Fama and French (1993) extended Capital Asset Pricing Model (three-factor CAPM), in which is added a factor represented by an Index of Systemic Risk Measures (ISRMs), built thanks to a Sparse Principal Component Analysis (SPCA) of a large set of systemic risk measures, as recently proposed by Giglio et al. (2016). The empirical tests of the CAPM with Systemic risk (CAPMS) we run on the American market, show that the new systemic risk factor is highly significant when pricing assets. We lastly propose an original application of the CAPMS related to a new methodology for designating and ranking Systemically Important Financial Institutions (SIFI), based on ordered significant sensitivities to the ISRMs: the more sensitive, the most important.*

Emotional response to financial information

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MAGELLAN

ABSTRACT: *The analysis of investor reaction to financial information announcements has relied for a long time on investor rationality and market efficiency. Despite the efforts of behavioural finance to challenge those assumptions, hardly no research based on archival or self-reported data has tried to open the “black box” of the potential role of emotions in investors’ decision making process. To overcome this hurdle, we study the role of emotions as a complement to rationality in financial decision-making process during an individual experiment by measuring subjects’ electrodermal response, a proxy for emotional response. This multi-trial within-subject experiment exposes each subject to the announcement of earnings and to the revelation of the gain or loss on his investment decision. While controlling for other variables likely to affect a trader’s emotions, we find a statistically significant change in the emotional response of subject when they are informed of their gains or losses. Furthermore, in line with Prospect theory, losses trigger a higher emotional response than gains. We also find in accordance with the somatic marker hypothesis formulated by Damasio that emotions help to better explain the “rational” relationship between unexpected earnings and excess stock returns.*

Structural Pricing of CoCos and Deposit Insurance with Regime Switching and Jumps

Olivier Le Courtois

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ABSTRACT: *This article constructs a structural model with jumps and regime switching features that is specifically dedicated to the pricing of bank contingent convertible debt (CoCos) and deposit insurance. This model assumes that the assets of a bank evolve as a geometric regime switching double exponential jump diffusion and that debt profiles are exponentially decreasing with respect to maturity. The paper starts by giving a general presentation of the jumps and regime switching framework, where an emphasis is put on the definition of an Esscher transform applicable to regime switching double exponential jump diffusions. The following developments concentrate on the definition and implementation of a matrix Wiener-Hopf factorization associated with the latter processes. Then, valuation formulas for the bank equity, debt, deposits, CoCos and deposit insurance are obtained. An illustration concludes the paper and addresses the respective impacts of jumps and regime switching on the viability of a bank.*

Macroeconomic Uncertainty, Cash Holdings and Corporate Investment

Yupeng Zhang

ABSTRACT: *Based on the heterogeneity perspective of macroeconomic uncertainty, this paper examines how "good" and "bad" macroeconomic uncertainty affect cash holdings and corporate investment. The empirical results show that: (1) "good" ("bad") macroeconomic uncertainty has a negative (positive) impact on cash holdings and positive (negative) impact on corporate investment, moreover the "good" ("bad") macroeconomic uncertainty-induced cash holdings has a positive (negative) impact on corporate investment; (2) the degree of positive (negative) effect of "good" ("bad") macroeconomic uncertainty on cashing holdings and corporate investment, depends on the degree of agency conflicts determined by the board of directors' (or senior executives') stock incentive level: cash holdings and investment expenditures are more sensitive to macroeconomic uncertainty in corporates with higher stock incentive level; (3) compare to state-owned enterprises, the cash holding and investment expenditure of non-state-owned enterprises are more sensitive to macroeconomic uncertainty.*

Multiple Cartels and Strategic Use of the Leniency Policy
SHEN Chaohai

ABSTRACT: *Following the empirical regularity noted by Marshall and Marx (2015), we present a reputation model in which a long-lived multi-product firm that is sequentially engaged in explicit collusion with short-lived single product firms can exploit the cartel leniency policy offered by antitrust enforcement authorities. The long-lived firm may have incentive to seek leniency to build and protect its reputation as a tough firm, who never tolerates any deviant conduct. This may help the long-lived firm deter deviations in the cartels. Our model provides a new insight on cartel firms' incentive to report their own cartel, a potential counterproductive effect of the leniency policy, and important policy implications to the design of the amnesty program.*

**Born in Recession: The Long-term Impact of Economic
Conditions on Corporate Performance and Policies**
WANG Xiaoquan

ABSTRACT: *This paper investigates corporate history as a specific source of firm fixed effects by comparing firms born in recession periods with other firms. We find that firms born in recession have better operating performance and stock market performance, and that a significant extent of the heterogeneity in corporate investment, financing, innovation, product market and risk taking policies can be attributed to firm birth conditions. We conduct various tests to exclude the roles played by selection biases. Our findings suggest that the founding economic conditions may have imprinted their marks on firms, and affect their long-run corporate performance and policies.*

Influence of Interfirm Brand Values Congruence on Relationship Qualities in B2B Context

Jiaxun He, Haiyang Huang, Wanying Wu

ABSTRACT: *Focusing on corporate branding in B2B context and adopting a new perspective, that is, brand values, this study explores the influence of brand values congruence between buyer and seller on relationship qualities. To expand knowledge on this issue, the authors introduce the construct of brand identification to explain how brand values congruence exerts influence. They find that self-enhancement congruence and self-transcendence congruence respectively positively affect brand trust, word of mouth and, value co-creation through the mediating role of brand identification. In addition, brand sensitivity positively moderates the effect of self-enhancement congruence on brand trust, word of mouth and, value co-creation through brand identification. However, the mediated moderation effect disappears in self-transcendence congruence. On the basis of these findings, the authors present implications for B2B companies with regard to developing effective branding strategy in accordance with brand values.*

Large medical equipment scheduling considering economic benefit and operational efficiency

DU Gang

ABSTRACT: *This article aims to propose a decision scheme for hospitals to address the time scheduling problem concerning multiple types of patient diagnostic equipment, and discuss the related economic and operational benefits. Net revenue is taken as the main measure of performance indicator in the analysis. We propose five solutions and finally determine the best one by constructing a finite horizon Markov decision process model. All the sample data are collected from Shanghai No. 6 People's Hospital. Except for the net revenue target, other indicators such as patient turnover ratio and service quality are also included in the comparative analysis. Results indicated that for the case of two PET-CT machines, although the optimal strategy of profit is better than the heuristic strategy, other performance indicators presented by optimal strategy and other suggestive strategies are similar. For the case of two scanners, other performance levels of all types of patients have reduced significantly.*

Rituals can decrease loneliness: The role of meaning in life

WANG Xuehua

ABSTRACT: *Consumers often rely on consumption to repair their moods. However, there is little evidence in consumer research on how consumers use consumption to reduce loneliness, given the evidence that loneliness is associated with negative consequences, both psychological and physical. This research addresses this gap by investigating how consumption rituals can decrease loneliness and to higher purchase intention towards the product contained in the ritual. Moreover, we find that consumers are more willing to engage in ritualized consumption than normal consumption when they feel lonely, but not when they feel calm or angry. Meaning in life mediates the interaction between loneliness priming and ritual manipulations. Therefore, this research contributes to the effect of rituals on emotions and consumption behavior by establishing a causal link among rituals, meaning in life, and loneliness. In addition, our research also contributes to the psychology and clinical literatures on how to cope with loneliness.*