Research Statement

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Asking why they exist and how they can be mitigated, my research focuses on the conflict of interest between a company's management and its stakeholders. My work is centered on the board of directors' role, the effects of regulations, and the flow of information across firms, as the primary mechanisms to reduce these agency problems.

In my job market paper Executive Compensation: The Trend Toward One Size Fits All (WFA Trefftzs Award for Best Student Paper), I show that institutional shareholders, advisory services and regulators influence and standardize CEO pay. By standardizing CEO pay, they create a trend toward a "one-size-fits-all" pay package. I find that 25% of the variation in the way firms distribute total compensation across different components of pay –salary, bonus, stock awards, option awards, non-equity incentive plans, pensions, and perquisites– disappeared in the last ten years.

I show evidence that this convergence is partly an unintended consequence of recent regulations to get shareholders involved in the design of compensation plans. The adoption of shareholders' vote on executive compensation (Say-on-pay) increases convergence because shareholders rely on standardized recommendations from proxy advisory firms on how to vote. Using difference-in-difference and Regression Discontinuity Design estimations for close Say-on-Pay elections, I find that firms' compensation structures converge faster if the firm has Say-on-pay vote for frequently.

I also find evidence suggesting that the convergence is unlikely to be optimal. The more similar a firm's compensation structure becomes to the others, the CEO gets higher pay, and this payment is less sensitive to the firm performance and the risk taken. Simultaneously, the management is more likely to manipulate accounting statements and the firm reduces its market value.

Agency conflicts also translate into a higher cost of external finance. Investors will be less likely to finance a firm if they cannot monitor managers' actions after the financing is provided. In my paper The Effect of Mandatory Information Disclosure on Financial Constraints (R&R at *Journal of Accounting and Economics*; presented at AFA 2019), I show that by mandating disclosure, authorities can reduce those asymmetries and thus alleviate financial constraints. Specifically, in a difference-in-difference setting using the 2008 SEC regulation for smaller reporting companies, I find that firms moving from a voluntary use of the regime to a mandatory use increase debt issuance and investment in tangible assets, and reduce the level of discussion about difficulties in obtaining debt financing. However, I also find that they report higher difficulties obtaining external finance through equity. Even though the positive effect of mandatory disclosure prevails in my sample, the fact that firms lost their ability to signal suggests a potential unintended consequence of this regulation. Based on additional tests, my interpretation of these results is that mandatory disclosure provides a commitment device to future disclosure but shuts down the signaling value of voluntary disclosure.

The empirical results of firms being less debt constrained when mandatorily disclosing are in line with Jensen and Meckling (1976). Debt-holders are usually more concerned about exercising their control rights when necessary and about preventing managers from taking excessive risks that could potentially lead them to bankruptcy. By guaranteeing future disclosure, firms make it easier for debt-holders to monitor managers' behavior and thus reduce the agency cost of debt.

In my job market paper, I also show that overlapping directors across firms have an important role in explaining compensation plans' similarity. The flow of information across peer networks has been largely reported in the literature and presents a rich source of future research. In Directors Network and Innovation Herding, a joint paper with Gerard Hoberg, we examine the role of dense overlapping board networks on firm innovation, competition, and performance.

First, we document a controversial and economically large prevalence of overlapping directors among competitor firm pairs. Using panel data regressions with rigid controls and plausibly exogenous shocks, we find that competing firms in markets with dense overlaps engage in innovation herding, experience losses in product differentiation, and ultimately perform poorly. We validate these findings using novel network propagation tests of individual technologies, which show that overlapping directors increase both the speed and intensity of technology transfers through the peer network. Our results are most consistent with an agency conflict that is new to the literature, as directors can realize better career outcomes by leaking sensitive information across boards, even though a consequence of repeated leakage is value destruction.

I am also studying how changes in the information environment of one firm will affect the decisions and performance of its rivals. In my project The Product Market Reaction to Opaque IPOs. Evidence from the JOBS Act, I study how firms react to a rival's IPO when the rival is allowed to stay opaque. An IPO allows a company to raise capital from public investors, improving its competitive position in the product market. At the same time, public firms must meet disclosure requirements, which may reduce the competitive advantage of being opaque. I explore rivals' reactions to IPOs using JOBS Act as an exogenous shock that reduced the disclosure requirement, creating opaque IPOs. JOBS Act retrospectively took place four months before Congress passed it. Thus it benefited some firms after they already have decided on becoming public. I exploit IPO dates right before and right after the JOBS Act retrospectively took place to identify plausible exogenous variations in IPO opacity. Then, I examine how rivals react to opaque IPOs compared to full-disclosure IPOs. I find that opaque IPOs' closest competitors increase their level of institutional ownership, become less equity constrained, and invest more in R&D than standard IPOs' rivals.

I am also interested in how to align the managers' incentives with environmental and social goals. Institutional investor claim to care about ESG in general and climate change in particular. Do institutional investors make any difference in firms' environmental policies? In my project Green Incentives in Executive Compensation Plans and Firm Value –a joint project with AJ Chen, a Ph.D. student at USC Marshall–, we find evidence that they do. We use text analysis of compensation plans to identify if executives have explicit incentives to care about the environment. We find that the higher the institutional investors' ownership, the higher the probability of having green compensation incentives. Do these policies create value? We find that Tobin's Q increases only if the firm is in an industry with a high level of emissions, showing that the market values the effort only when environmentally relevant. To explore whether these policies are effective or not, we are obtaining data on firm-level emissions, ESG indexes, and climate risk exposure, and we will test whether the greenness of a compensation plan has any impact on them.