PACE UNIVERSITY | Lubin School of Business

SPRING 2020 ISSUE NO. 3

LUBIN BUSINESS REVIEW

Globalization, Technology, and Change

TABLE OF CONTENTS

EDITORS' INTRODUCTION

Globalization, Technology, and Change

By Drs. Eric Kessler and Ping Wang***

For better or worse, we operate in a VUCA world. That is, a business climate that is simultaneously Volatile, Uncertain, Complex and Ambiguous. This presents organizations with both threats and opportunities that they must address to survive and to thrive. However, in order to position themselves on the positive side of the change curve, business leaders need to first understand the new challenges confronting them. Then they can apply the appropriate mindsets, as well as toolsets, to manage their challenges well. Yet it is easier said than done. This notion was captured well by Robert F. Kennedy, Jr. when he said, "Progress is a nice word, but change is its motivator, and change has its enemies." It was also evident in Nicolo Machiavelli's warning, "There is nothing more difficult to handle, more doubtful of success, nor more dangerous to manage, than to put oneself at the head of introducing a new order of things." Perhaps this is why, as per Mark Twain, "Nobody likes change except a wet baby."

In this third annual issue of *Lubin Business Review* (LBR), we focus on the double-edged sword of change, particularly as it relates to the ubiquitous forces of globalization and technology. We examine the topic of change from a multi-disciplinary perspective, taking into account issues that span the range of business practices. We also examine change from a grounded perspective, based firmly in scholarship, but translated from "academese" into practical insights for the modern business professional.

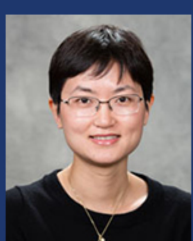
Our first section, *In The Journals*, highlights recent high-impact articles about globalization, technology, and change. From a **Management** perspective, 1) Julia Eisenberg explores *Building Bridges in Global Virtual Teams: The Role of Multicultural Brokers in Overcoming the Negative Effects of Identity Threats on Knowledge Sharing Across Subgroups* and 2) Theresa Lant discusses *Generative Imitation, Strategic Distancing and Optimal Distinctiveness During the Growth, Decline, and Stabilization of Silicon Alley*. From a **Legal Studies** perspective, 3) Rosario Girasa, Jessica Magaldi, and Joseph DiBenedetto write *Shedding Light on Dark Pools: Recent Regulatory Attempts Toward Transparency and Oversight of Alternative Trading Systems* and 4) Mark Fichtenbaum examines *New Incentivized Investment - Opportunity Zones*. From an **Accounting** perspective, 5) Rudolph Jacob and Samir El-Gazzar write about *Firm Characteristics Associated with Concurrent Disclosure of GAAP-Compliant Financial Statements with Earnings Announcements* and 6) Chunyan Li discusses *The Impact of the SEC's Indecision Regarding IFRS Migration on the Readiness Efforts of U.S. Issuers and Accounting Faculty*.

From a **Marketing** perspective, 7) Lynn Kahle examines *The Subjective Norms of Sustainable Consumption: A Cross-Cultural Exploration* and 8) Leigh Anne Donovan addresses *Exploring The Psychological Processes Underlying Interpersonal Forgiveness: The Superiority of Motivated Reasoning Over Empathy*. Finally, from a **Finance** perspective, 9) Niso Abuaf digs into *Global Equity Investing: An Efficient Frontier Approach* and 10) Elena Goldman and Plachikkat Viswanath examine *Internal Capital Markets, Forms of Intra-Group Transfers and Dividend Policy: Evidence from Indian Corporates*.

Our second section, *On The Bookshelf*, highlights work distributed by high-profile publishers that also address issues related to our theme. It includes discussions on 1) **Finance** with Professor Aron Gottesman with *Understanding Systemic Risk in Global Financial Markets* (Wiley Finance), 2) **Marketing** with Professor Larry Chiagouris on *The Secret To Getting A Job After College: Marketing Tactics To Turn Degrees Into Dollars* (Brand New World Publishing), 3) **Legal Studies** with Professor Rosario Girasa on *Artificial Intelligence as a Disruptive Technology: Economic Transformation and Government Regulation* (Palgrave Macmillan), and 4) **Management** with Professor Ibraiz Tarique on *Seven Trends in Corporate Training and Development: Strategies to Align Goals with Employee Needs* (Routledge).

As the aforementioned attest, business leaders can either surf or sink on these tides of change. It is, to be certain, an exciting prospect, but one that also conjures the ancient Chinese curse, "May you live in interesting times." It is our hope that these articles will be useful to you and your organizations in riding the waves to sustainable success.

* **Dr. Eric Kessler** is a University Distinguished Professor as well as 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 appearing in 70+ countries, authored over 120 scholarly papers, worked with numerous governments and companies, and been quoted in major media outlets. He is also 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. His distinctions include a Jefferson Foundation medal, Fulbright and EU grants, a Choice book award, a Kenan teaching award, and honors from societies of business, forensics, economics, and psychology.



** **Dr. Ping Wang** is an Associate Professor of Accounting at the Lubin School of Business. Her research focuses on executive compensation, voluntary disclosure, and financial regulation. Her dissertation, "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, Dr. Wang has published in the *Journal of Accounting, Auditing and Finance*, *Journal of Business Finance & Accounting*, and *Accounting Horizons*. Her research has been featured in the Harvard Law School Corporate Governance forum and *Dow Jones Institutional News.*

IN THE JOURNALS

JOURNAL ABSTRACT 1

BUILDING BRIDGES IN GLOBAL VIRTUAL TEAMS: THE ROLE OF MULTICULTURAL BROKERS IN OVERCOMING THE NEGATIVE EFFECTS OF IDENTITY THREATS ON KNOWLEDGE SHARING ACROSS SUBGROUPS

Written by Dr. Julia Eisenberg* (with Elisa Mattarelli) and published in 2017 by the *Journal of International Management*, 23 (4): 399-411.

ISSUE AND IMPORTANCE

Technology advancements continue to lead to an increasingly globally distributed work environment, where team members collaborate across multiple boundaries to share knowledge and generate innovative ideas. Global team member differences are in part based on diverse identities stemming from one's nationality, occupational background, and personal interests, among many other factors, which may result in identity threats. A multicultural broker is a team member or leader who transcends cultural boundaries and helps to bridge differences among colleagues in different global subgroups, facilitating cross-boundary teamwork. We explore the role of multicultural brokers in positively influencing the relationship between identity threats and knowledge sharing in global teams.

MAIN FINDINGS

We conclude that multicultural brokers can positively influence the quality and quantity of knowledge sharing in global teams. Multicultural brokers' characteristics, such as their role (leader/member), type of appointment (formal/emergent), familiarity with subgroup members, and level of cultural intelligence uniquely help team members overcome identity-based boundaries to knowledge sharing associated with different subgroups. These research findings offer an improved understanding of, and tools for improving, knowledge sharing in global teams.

PRACTICAL IMPLICATIONS

- It is important to acknowledge the various cultural barriers that threaten team members' identities.
- Multinational corporations can use multicultural brokers in overcoming the negative effects of identity-related issues on knowledge sharing to create a more engaging and productive global workplace.
- Organizations should consider appointing multicultural brokers who are familiar with multiple cultures to take on boundary-spanning roles. Specific qualities of multicultural brokers, such as cultural intelligence, coupled with their position (leader or member) and role (official or emergent), will affect the extent to which they are effective in helping teammates across global locations.
- Organizations should offer training and incentives for team members to take on the role of a multicultural broker.

* **DR. JULIA EISENBERG** is an Assistant Professor in the Department of Management and Management Science at the Lubin School of Business. Dr. Eisenberg studies the general area of teamwork collaboration, including geographically and globally distributed teams, and how organizations can address teamwork challenges with various leadership and technology-related approaches. Her research has been published in academic journals such as *Small Group Research*, *Journal of International Management*, *Organization Management Journal*, and *Journal of Computer-Mediated Communication*. She has also presented her research at several national and international conferences.

JOURNAL ABSTRACT 2

GENERATIVE IMITATION, STRATEGIC DISTANCING AND OPTIMAL DISTINCTIVENESS DURING THE GROWTH, DECLINE, AND STABILIZATION OF SILICON ALLEY

Written by Dr. Theresa K. Lant* (with Raghu Garud and Henri A. Schildt) and published in 2019 by *Innovation: Management, Policy and Practice*, 21 (1): 187-213.

ISSUE AND IMPORTANCE

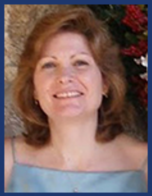
Technological innovation creates opportunities for entrepreneurs to develop new ventures in emerging industries. Entrepreneurs face the challenge of convincing potential stakeholders of the viability of the new technology in addition to the merits of the entrepreneur's own venture. In order to attract stakeholder resources, such as financial investment and human talent, entrepreneurs create exciting narratives that envision the potential for the new technology and their new venture. Due to the inherent uncertainty of new technologies, reality often falls short of promises and even well run ventures suffer from a downturn in confidence. This is important because the rate of technological innovation is increasing; new technologies promise to change the very nature of work in the 21st century.

MAIN FINDINGS

An in-depth, longitudinal ethnography of the emergence, decline, and stabilization of the New Media Technology sector that emerged in New York City in the mid-1990s discovered that entrepreneurs' stories amplified excitement about new media, generating heightened expectations about everything associated with the new media label. Because the technology itself was still developing, many ventures had difficulty living up to these expectations. Investors became disappointed and withdrew support, which had a domino effect, causing the new media label to become stigmatized, regardless of the performance of individual ventures. It is not surprising that many ventures failed. More interesting, however, is the fact that numerous ventures survived, and thrived, by strategically distancing themselves from the new media label, while carefully managing their core businesses through the downturn.

PRACTICAL IMPLICATIONS

- Recognize that stories about the potential of new technologies and new business models influence stakeholder expectations and their willingness to support new ventures.
- Develop strategies for surviving and thriving when the tide turns against certain labels.
- Understand how to use strategic distancing to decouple your narrative from stigmatized labels.
- As an investor, don't immediately dismiss new ventures that fall under a stigmatized label.



* **DR. THERESA K. LANT** is a Professor of Management and the Academic Director of the Arts and Entertainment Management Program at the Lubin School of Business, Pace University. She is President of ArcStages in Pleasantville, NY, a live theatre organization that provides educational programming, community theater, and professional theater. In her consulting practice she provides team building and coaching for interdisciplinary teams in medicine and engineering. Dr. Lant's research examines learning and adaptation in teams and organizations, with a focus on creativity and technological innovation. Her research has been published in *Clinical and Translational Science*, *Informing Science*, *Innovation: Organization and Management*, *Group and Organization Management*, *Organization Science*, and *Small Group Research*.

JOURNAL ABSTRACT 3

SHEDDING LIGHT ON DARK POOLS: RECENT REGULATORY ATTEMPTS TOWARD TRANSPARENCY AND OVERSIGHT OF ALTERNATIVE TRADING SYSTEMS

Written by Drs. Rosario Girasa*, Jessica A. Magaldi**, and Joseph DiBenedetto***, and published in 2018 by *North East Journal of Legal Studies*, 37: 75 - 116.

ISSUE AND IMPORTANCE

High frequency traders (HFTs) and their alleged abuses has been the subject of considerable comment. To combat their effort and avoid other abuses, dark pools of liquidity are an alternative trading system (ATS). They are engaged in the transfer of ownership of securities that was historically previously accomplished through the use of public exchanges, which are subject to stringent statutory and regulatory regulations not otherwise applicable to ATS. Large institutional investors make sizeable investments in particular securities, which may then cause the securities to fluctuate considerably, and the price may be negatively affected. By the use of dark pools of liquidity institutions are able to conceal the trades until they are placed. The issue is whether these institutions should be subject to regulation and the extent thereof.

MAIN FINDINGS

We conclude that dark pools do enable financial institutions to avoid tipping their intentions and circumvent a run-up or downturn of the securities prior to the trades, but also may cause mispricing to “lit” investors who trade on public exchanges. Although “dark” connotes sinister intentions, the use of dark pools is found to be cost effective by avoiding exchanges’ fees and interference by high-frequency traders, although they may negatively impact non-institutional investors.

PRACTICAL IMPLICATIONS

- Enhanced operational transparency and regulatory oversight of alternative trading systems, which includes dark pools, should be undertaken.
- These efforts might involve regulation to require publicly available and timely disclosures regarding the trading of national market system shares (NMS), the types of orders and market data used on the ATS, and their execution and priority procedures.
- The disclosures should also be made publicly available on the SEC website to enable market participants to have more complete knowledge of how decisions and actions are made by their brokers, and to determine whether to make use of alternative trading systems to level the playing field for investors.

* **DR. ROSARIO GIRASA** is a Distinguished Professor at Pace University and has been an instructor in the Department of Legal Studies and Taxation at the Lubin School of Business for the past 40 years. He practiced law as a litigator, is the author of six books examining laws and regulations concerning cyberlaw and the law of finance, and has authored or co-authored 130 articles. He has lectured worldwide including for MBA courses at the University of Shanghai and in Germany, and has led conferences in Tunisia.

** **DR. JESSICA A. MAGALDI** is an Associate Professor at the Lubin School of Business. Dr. Magaldi’s research reflects her interest in understanding how business and societal goals are advanced through law and policy. She focuses on the intersection of law and technology, with a particular emphasis on how the law adapts to emerging technologies. Dr. Magaldi is a frequent presenter at national and international conferences, where her work has been recognized with numerous Best Paper awards. In 2017, Dr. Magaldi was awarded a national Periclean Faculty Leadership grant for championing civil dialogue, civic engagement, and social responsibility in her work.

*** **DR. JOSEPH DIBENEDETTO** is a CPA and attorney and has authored articles relating to both areas of research.

JOURNAL ABSTRACT 4

NEW INCENTIVIZED INVESTMENT: OPPORTUNITY ZONES

Written by Dr. Mark Fichtenbaum* and published in 2018 by the *Journal of Taxation of Investments*, 36 (0): 47-50.

ISSUE AND IMPORTANCE

Tax laws are used to both raise funds for the operation of the government, and encourage certain types of behavior and investments. In the recent Tax Cuts and Jobs Act, Congress has added an opportunity to encourage investors to start new businesses in economically depressed areas called "opportunity zones." The goal of the legislation is to encourage job formation and economic development of these areas.

MAIN FINDINGS

This article describes the tax incentives being offered to investors starting new enterprises in economically depressed areas. An analysis of this legislation reveals several important insights. More specifically, in order to optimally incentivize investors to make these investments, the benefits being offered are threefold: (1) capital gains from the sales of any property are deferred to the extent they are invested in an opportunity zone, (2) the amount of the deferred gain is reduced if the investment is held for at least five years, and, most importantly, (3) all gains from the new investment escape tax altogether as long as the investment is held for at least ten years.

PRACTICAL IMPLICATIONS

- Investors are being incentivized to start new businesses in economically depressed areas.
- The tax savings they are being offered should be considered in determining the risk and rewards from such investments.
- By fully understanding how the tax benefits work, the investor can make an informed decision concerning whether or not they are adequately compensated for the risks they are taking.

* **DR. MARK FICHTENBAUM** is an Assistant Professor of Taxation at the Lubin School of Business, Pace University, and is counsel to Twenty-First Securities Corp., and President of MF Consulting. He holds a B.S. from Brooklyn College; a J.D., from New York Law School; and an L.L.M (Taxation) from the New York University School of Law. He is also a CPA in the State of New York.

JOURNAL ABSTRACT 5

FIRM CHARACTERISTICS ASSOCIATED WITH CONCURRENT DISCLOSURE OF GAAP-COMPLIANT FINANCIAL STATEMENTS WITH EARNINGS ANNOUNCEMENTS

Written by Drs. Rudolph Jacob* and Samir El-Gazzar** (with Thomas D'Angelo) and published in 2018 by the *Journal of Financial Regulation and Compliance*, 26 (3): 365-381.

ISSUE AND IMPORTANCE

Preliminary quarterly earnings announcements have, over time, become the most regularly disseminated form of voluntary disclosure on corporate performance. However, interpretation and usefulness of the content of earnings and concurrently disclosed financials depend on the measures used to calculate earnings and other accounting metrics. Professional financial analysts and SEC officials have been calling not only for the concurrent disclosure of statement of cash flows and balance sheet with earnings releases, but also that earnings and other financial information should be prepared in accordance with generally accepted accounting principles (GAAP) in the quarterly earnings announcements. This research examines the characteristics of firms that voluntarily disclose GAAP-compliant statements of income, statements of cash flows and balance sheet concurrently with quarterly earnings releases.

MAIN FINDINGS

The results of this project suggest that firms in high technology industries that are characterized with higher leverage, greater earnings volatility, greater complexity of operations, effective corporate governance, and less profitability are more likely to voluntarily supplement their quarterly earnings announcements with GAAP-compliant balance sheets and cash flow statements.

PRACTICAL IMPLICATIONS

- Firms respond to investors' information demands by voluntarily adopting disclosure policies to fill the void in GAAP and, in this specific case, the concurrent disclosure of GAAP-compliant financial statements with earnings releases.

- Given the recent spate of non-GAAP financials, the findings of this examination would provide regulators with some insights into management's cost/benefit analysis for voluntarily disclosing GAAP-compliant versus non-GAAP financial statements with earnings releases.

- Although the SEC has made significant progress over the last 20 years in addressing the flagrant abuse of non-GAAP reporting in corporate quarterly earnings announcements, much more work needs to be done in tackling the subtler form of non-GAAP selective disclosures that are practiced by some firms.

* **DR. RUDOLPH A. JACOB** received his professional degrees from New York University, Leonard N. Stern Graduate School of Business Administration. His areas of concentration were accounting, finance, and operations research. Dr. Jacob chaired Lubin's Accounting Department from 1989-2013. He is currently the EY Scholar and Graduate Program Chair, and was the recipient of the "Kenan Award for Teaching Excellence" in 1990 and the Lubin Research Award in 2014. Dr. Jacob has testified as a forensic economist in numerous accounting and economic litigation matters in federal and state courts. His research interests include financial, managerial, and international accounting issues. He has published in several top journals.

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

JOURNAL ABSTRACT 6

THE IMPACT OF THE SEC'S INDECISION REGARDING IFRS MIGRATION ON THE READINESS EFFORTS OF U.S. ISSUERS AND ACCOUNTING FACULTY

Written by Dr. Chunyan (Claudia) Li* (with Donald Buzinkai) and published in 2018 by the *Journal of American Academy of Business, Cambridge*, 24 (1): 41-48.

ISSUE AND IMPORTANCE

The 2012 SEC IFRS work plan staff report was silent regarding the path forward for the use of IFRS in the U.S. While convergence efforts by the IASB and the FASB have resulted in modified standards on both sides that have reduced differences, some convergence efforts have been discontinued or have resulted in different standards because the two boards could not agree. What is the impact of the SEC's indecision?

MAIN FINDINGS

Utilizing new survey data, our research shows that the SEC's indecision has caused U.S. issuers to further delay their readiness efforts for their migration to IFRS. Issuers are becoming increasingly reticent to incur the costs to prepare for a potential IFRS migration until the SEC becomes more definitive in its migration plan. We find a significant increase in the level of uncertainty surrounding a potential U.S. migration to IFRS among U.S. faculty, yet their behavior has not dramatically shifted following the July 2012 SEC report. The issue is less binary for colleges and universities who have more flexibility as to how and to what extent to introduce IFRS into the curriculum. Our research also finds that issuers whose auditors are Big 4 firms tend to be more prepared for a potential IFRS migration.

PRACTICAL IMPLICATIONS

- SEC Chairman Clayton's stance to set aside consideration of IFRS for domestic public companies comes amid waning interest in using global accounting standards. The lack of interest in IFRS contrasts sharply with the FASB's stance a decade ago.
- After a decade of debate, the FASB and IASB published divergent lease reporting standards — ASU 2016-02 and IFRS 16 — in 2016. No major global convergence projects are currently on the FASB's agenda.
- There may not be a 'one-size-fits-all' global financial reporting standard. Preparers, investors, and faculty need to keep abreast of any new development in this area.

* **DR. CHUNYAN (CLAUDIA) LI** is an Associate Professor of Accounting at the Lubin School of Business. She has published papers in areas of international financial reporting, accounting information systems, management accounting, and non-profit and governmental accounting. Her recent research interests center around the the financial health of governmental accounting institutions following tax law changes.

JOURNAL ABSTRACT 7

THE SUBJECTIVE NORMS OF SUSTAINABLE CONSUMPTION: A CROSS-CULTURAL EXPLORATION

Written by Dr. Lynn Kahle* (with Elizabeth A. Minton, Nathalie Spielmann, and Chung-HyunKim) and published in 2018 by the *Journal of Business Research*, 82 (January): 400-408.

ISSUE AND IMPORTANCE

Although extensive research has explored aspects of sustainable consumption, such as specific sustainable behaviors and motivations for participating in sustainable activities, little research has examined the role of national culture and how pragmatism influences sustainable consumption. Sustainable consumption can encompass both sustainable attitudes and sustainable behaviors, and in this research, two types of social norms related to sustainable consumption (normative and self-enhancing) are also included and examined across three nations (France, Japan, and the United States).

MAIN FINDINGS

The findings suggest that differences in consumption are explained, in part, by a country's level of pragmatism, a cultural value as defined by Hofstede. The findings also show that sustainable attitudes mediate the relationship between the level of pragmatism of a respondent's nation and sustainable behaviors. One of the primary discoveries from this research is the importance of understanding national ethnic culture before developing international marketing campaigns or designing new sustainable products overseas. Countries low in pragmatism (e.g., U.S.) have lower participation in self-enhancing sustainable behaviors.

PRACTICAL IMPLICATIONS

- Having a better understanding of what motivates consumers to engage in sustainable consumption within each culture can help advertisers of companies with sustainable practices create and develop more efficient advertising campaigns, using self-enhancing messages in highly pragmatic societies (e.g., Japan) versus highly normative messages in less pragmatic societies.
- With the growing importance of sustainability, understanding a country's level of pragmatism may provide key insights into why sustainable products and initiatives succeed in some countries but fail in others.
- This understanding can, at least in part, contribute to better tactics aimed at encouraging sustainable consumption, and perhaps help preserve the planet for years to come.

* **DR. LYNN R. KAHLE** is Director of the Sports Marketing Program and a Visiting Scholar and Professor of Marketing at Pace University. His recent scholarly activities include editing two books with his former graduate student, Eda Gurel-Atay: *Communicating Sustainability for the Green Economy* (M.E. Sharp, 2014) and *Consumer Social Values* (Routledge, 2019). He received the Stotlar Award from the Sports Marketing Association for outstanding innovation in sports marketing education.

JOURNAL ABSTRACT 8

EXPLORING THE PSYCHOLOGICAL PROCESSES UNDERLYING INTERPERSONAL FORGIVENESS: THE SUPERIORITY OF MOTIVATED REASONING OVER EMPATHY

Written by Dr. Leigh Anne Donovan* (with Joseph R. Priester) and published in 2017 by the *Journal of Experimental Social Psychology*, 71 (July): 16-30.

ISSUE AND IMPORTANCE

When, why, and how does forgiveness occur? Though a seemingly simple question, a clear answer has been elusive. Forgiveness provides the crucial mechanism by which relationships are able to be maintained following interpersonal betrayals, transgressions, and disappointments. Through this research, we develop a model of motivated interpersonal forgiveness by synthesizing and linking previous independent findings and we compare this model to the other leading forgiveness model to understand the underlying psychological processes of forgiveness. This model hypothesizes that relationship closeness leads to a desire to maintain the relationship, this desire leads to motivated reasoning, and this motivated reasoning leads to interpersonal forgiveness.

MAIN FINDINGS

The model of motivated interpersonal forgiveness is supported and shown to be the proximal predictor of forgiveness. This model addresses when (close interpersonal relationships), why (desire to maintain the relationship), and how (motivated reasoning) interpersonal forgiveness emerges. When estimated simultaneously, the model of motivated interpersonal forgiveness is able to better predict interpersonal forgiveness than the empathy model of forgiveness. The superiority of the model of motivated interpersonal forgiveness replicates across studies, providing us with an understanding of the process of forgiveness. Overall, this research provides a model by which to integrate and synthesize a broad set of findings and provides a framework by which to understand the many findings related to relationship closeness, motivated reasoning, empathy, and forgiveness.

PRACTICAL IMPLICATIONS

- The current work advances our understanding of the processes through which interpersonal forgiveness occurs. This can be used to encourage forgiveness, or a better understanding of our own process of forgiveness.
- Prior relationships, a desire to maintain these relationships, and, especially, how we make sense of transgressions are all important influences on the likelihood of forgiveness.
- This research provides a framework by which we can better understand how relationship closeness, motivated reasoning, empathy, and forgiveness are related and the process that leads to forgiveness.

* **DR. LEIGH ANNE DONOVAN** is an Assistant Professor of Marketing. She joined Pace in 2018. Her research has been published in leading academic journals such as the *Journal of Experimental Social Psychology, Psychology & Marketing, Journal of Relationship Marketing*, among others. Her research focuses on relationships, both consumer-brand and interpersonal, loyalty, satisfaction, and understanding the nature of evaluative processes and their influences on thoughts, feelings, and behavior.

JOURNAL ABSTRACT 9

GLOBAL EQUITY INVESTING: AN EFFICIENT FRONTIER APPROACH

Written by Dr. Niso Abuaf* (with Tracyann Ayala and Duncan Sinclair) and published in 2019 by *International Finance*, 22 (1): 70-85.

ISSUE AND IMPORTANCE

In a U.S. economic environment where return expectations in virtually all asset classes have declined significantly, international diversification to boost returns for given risk appetites will likely play an increasingly important role. International diversification allows investors to reduce the total risk of their portfolios, given a return expectation, or increase their return expectation, given a risk. This benefit exists because international stocks are not perfectly correlated. Because most developed economies are confronted with similar problems including aging and declining populations, and diminished productivity growth, portfolio managers will be tempted to move into emerging markets. The objective then becomes identifying which markets provide the best investment opportunities within the context of a macroeconomic outlook and modern portfolio theory.

MAIN FINDINGS

This research provides a framework whereby portfolio managers can decide in which emerging markets they should invest. Countries that are more economically independent of the United States (as measured by relatively low correlations of their stock markets to the United States, or intuitively as being markets whose real and monetary shocks are seemingly independent of the United States) provide better diversification for U.S. investors. Though these relationships are time-dependent, Mexico and China appear to be the most important diversifiers. Compared with developed markets, emerging markets exhibit higher volatility, with asymmetric return distributions and increasing return correlations in times of crisis, but they also exhibit higher return opportunities because of early growth stages in their economies.

PRACTICAL IMPLICATIONS

- The paper compares the results of a mean-variance framework versus a mean-VaR (value-at-risk) framework that may be more applicable when return distributions are non-normal, and finds that there are no significant differences.
- Our model allows an investor to marry macroeconomic forecasts with modern portfolio theory by mapping out expected returns and VaRs, and correlations for a select group of countries and design efficient-frontier portfolios inspired by our methodology.

* **DR. NISO ABUAF** is Chief Economist and Strategist at Ramirez & Co., and Clinical Professor of Finance and Economics at Pace University, having also taught at NYU's Stern, and Chicago's Booth business schools. He has 35 years of Wall Street experience, and led R&D groups at Credit Suisse, Salomon Brothers/Citi, and J.P. Morgan Chase. He is fluent in French, Spanish, and Turkish, and has a working knowledge of German and Italian. Dr. Abuaf received a BS and MS in Electrical and Biomedical Engineering from Northwestern University, and an MBA and a PhD in Financial Economics from the University of Chicago.

JOURNAL ABSTRACT 10

INTERNAL CAPITAL MARKETS, FORMS OF INTRA-GROUP TRANSFERS AND DIVIDEND POLICY: EVIDENCE FROM INDIAN CORPORATES

Written by Drs. Elena Goldman* and P.V. Viswanath** and published in 2017 by the *Journal of Financial Research*, 40 (4): 567-610.

ISSUE AND IMPORTANCE

As ownership of businesses becomes increasingly transnational with subsidiaries in more than one country, governments need to take that into account in setting public policy and formulating regulations. Studying business groups is a good way to get an idea of how inter-unit resource flows are likely to occur in larger interrelated governance structures. Business groups often operate as single entities, moving funds from one unit to another, taking into account the relative costs of different means of resource transfers.

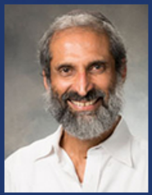
MAIN FINDINGS

Firms in a business group can access sources of intra-group financing. Resources can be transferred within a group either through intra-group transactions, primarily operational activities (internal transfers), or through dividends permitting insiders to make investments in other group firms (external transfers). Using a dataset of Indian firms, we look at the costs of internal transfers versus external transfers and find that dividend policies of group firms can be explained as external intra-group transfers. However, more concentrated and more homogenous groups do use internal operations-related transfers in preference to external dividend transfers. Finally, while intra-group transfers are meant to increase group-insider wealth, groups do respond to corporate governance regulations that are intended to protect minority shareholders.

PRACTICAL IMPLICATIONS

- Equity investors should value the ability of group firms to move funds around, but need to understand that funds could also be transferred to business units where group-insiders have greater cash flow rights, to the detriment of minority shareholders.
- Investors in bonds of group firms must be alert to resources being diverted to other group firms. While firm reputation, governance structures, and bond indentures can be used to minimize expropriation, lobbying for governance regulations can be an effective tool for activist investors.
- CEOs of group-firms, while sharing group resources to the extent legally permitted, must desist from hurting other stakeholder interests.
- Relative costs of moving funds within groups should be taken into account when considering group acquisitions or new group ventures.

* **DR. ELENA GOLDMAN** is Professor of Finance and Economics at the Lubin School of Business at Pace University. Her research and teaching are in the fields of Financial Econometrics, Bayesian Econometrics, Risk Management, and International Finance. Her current papers explore systemic risk, asymmetric volatility, and margin models for Central Clearing Counterparties. She currently serves on the Education Committee at PRMIA. Goldman was a fellow at the SEC in 2016. She holds a PhD in Economics from Rutgers University.



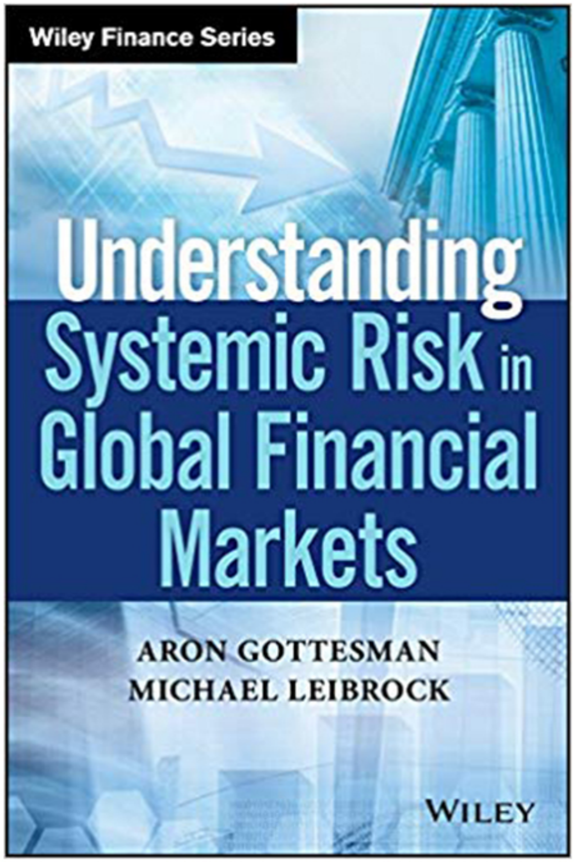
** **DR. P.V. VISWANATH** is Graduate Program Chair in the Department of Finance and Economics at Pace University. His research spans the more traditional areas of corporate finance, investments, insurance, and Law and Economics, but also the treatment of economic issues in world religions, primarily Judaism, Buddhism, and Hinduism. Most recently, he has been interested in microfinance and financial market development in emerging economies. He teaches courses in a variety of areas including corporate finance, microfinance, film finance, and the Chinese financial system. His recent research focuses on the financial policies of business groups. He holds a PhD in Finance from the University of Chicago.

ON THE BOOKSHELF

BOOK ABSTRACT 1

UNDERSTANDING SYSTEMIC RISK IN GLOBAL FINANCIAL MARKETS

Written by Dr. Aron Gottesman* (with Michael Leibrock) and published in 2017 by Wiley Finance.



ISSUE AND IMPORTANCE

Systemic risk is defined as potential risks in the financial system that can disrupt financial stability. Systemic risk has always been present in the financial system, but it has been a topic of particular concern since the credit crisis of 2007-2009. This book provides an in-depth overview of systemic risk and financial stability and evaluates the regulatory regimes that have been put into place as a result. This book further explores how systemic risk can be monitored, analyzed, and mitigated; the U.S. Dodd-Frank Act; and international regulators and regulation such as the Financial Stability Board and the Basel Accords.

MAIN FINDINGS

Through our research we conclude that, as history has taught us, financial crises are inevitable and thus are sure to occur again. At least some of the frequent financial crises we have experienced may be attributed to common themes such as reckless speculation by investors, loose monetary policies of certain central banks, and excessive leverage, among others. However, this book finds that financial markets have become potentially more susceptible to new types of crises stemming from several factors such as the interconnectedness of financial markets and institutions and emerging risks such as cybersecurity attacks and geopolitical events.

PRACTICAL IMPLICATIONS

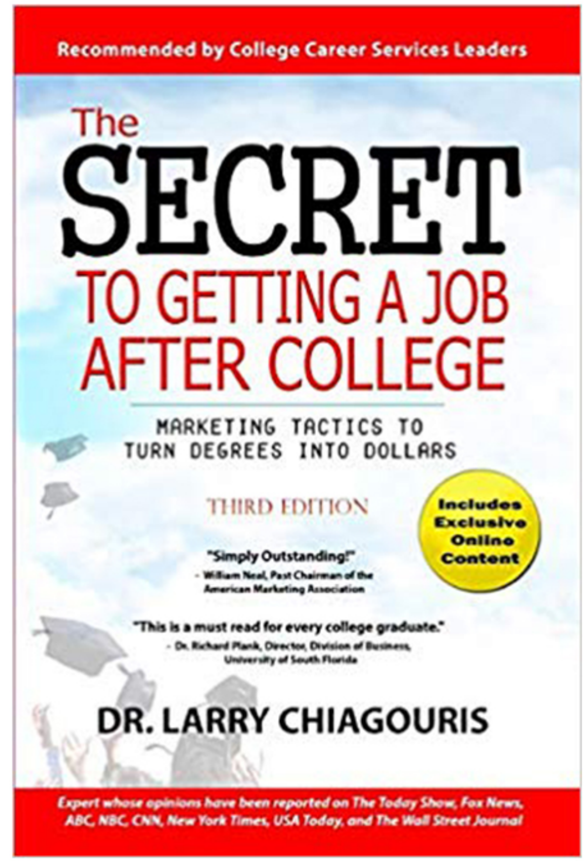
- It is critical that we explore systemic risk, financial stability, and how they relate to the appropriate U.S. and global regulatory responses.
- Since the credit crisis of 2007-2009 there has been a paradigm shift of the degree to which both financial regulators and firms operating in the financial services industry attempt to monitor and mitigate emerging systemic threats.
- The scope and nature of systemic risk is broad and complex. Hence while the source and timing of the next crisis cannot be easily predicted, it is inevitable and the financial system must be prepared for these new types of threats.

* **DR. 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 PhD 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 2

THE SECRET TO GETTING A JOB AFTER COLLEGE: MARKETING TACTICS TO TURN DEGREES INTO DOLLARS

Written by Dr. Larry Chiagouris* and published in 2018 (3rd edition) by Brand New World Publishing.



ISSUE AND IMPORTANCE

The inspiration of the book, now in its third edition, came from Pace students. Every spring, graduating seniors would share with me their apprehension about starting the job search process. In my offers to help them, we began exploring solutions together. First, we began by engaging in research through interviewing Career Services advisors across the country and at Pace. That was followed by interviewing human resource professionals and successful recent graduates, all of whom contributed to the view that to be successful in the job search, students should think of themselves as a product. Students need to apply marketing principles to be successful in their job search.

MAIN FINDINGS

Through this research process, I identified a persistent, critical need for the following marketing strategies: 1) How to define the market for a student's talent: This includes assessing a student's personal brand, addressing market potential for a student's skillsets and learning the best practices for networking to generate leads. 2) How to create a marketing package: This includes how to design resumes, business cards, cover letters and websites and social media platforms so that they "sell" the student against a preferred marketing positioning. 3) How to sell oneself in an interview: This includes how to prepare for, conduct and follow up after an interview by treating it as a sales call. 4) How to close the sale: This includes all of the marketing activity to turn job interviews into relationships and getting a job offer.

PRACTICAL IMPLICATIONS

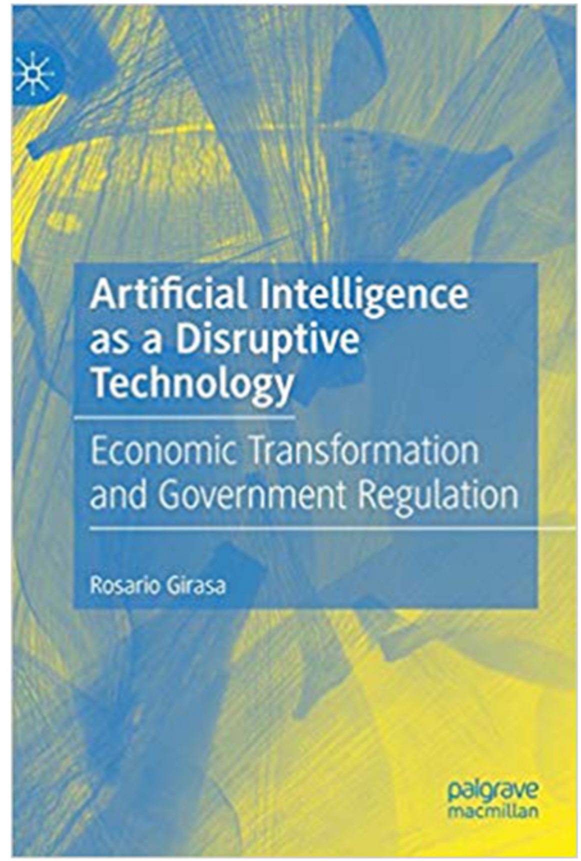
- Sound marketing strategies can help students through the anxiety-producing process of finding a job. Students' confidence greatly improves in their job search after reading the book.
- These strategies can be incorporated into university curricula and corporate development programs. For example, the book complements my institution's 'Pace Path' for helping students achieve a lifetime of success following graduation.
- These strategies are broadly accessible. The book has appeared on reading lists such as the National Association of Colleges and Employers (NACE).

* **DR. LARRY CHIAGOURIS** is a Professor of Marketing focused on branding and digital 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 scholarly and trade articles and books and has held executive appointments for Fortune 500 companies and startup organizations. He has also served as the Chairman of the Advertising Research Foundation and as a member of the Board of Directors of the American Marketing Association.

BOOK ABSTRACT 3

ARTIFICIAL INTELLIGENCE AS A DISRUPTIVE TECHNOLOGY: ECONOMIC TRANSFORMATION AND GOVERNMENT REGULATION

Written by Dr. Rosario Girasa* and published in 2020 by Palgrave Macmillan Publishers.



ISSUE AND IMPORTANCE

The advent of computer technology brought about by miniaturization and other advances has led to what many commentators have termed: "The Fourth Industrial Revolution." Science fiction novelists and filmmakers speculated about the futuristic time when aliens or other creatures would take control over human inhabitants. The advances of blockchain and cryptocurrencies and, more particularly, artificial intelligence (AI), have caused serious questions to arise whether these evolving developments will cause far greater harm to humanity than benefits unlike prior technological innovations.

MAIN FINDINGS

Scholars and other commentators are divided almost evenly about whether AI will ultimately evolve into super-intelligent creations such as robots and other mechanical creations which, in the control of autocratic leaders, may fulfill the fear of George Orwell's *1984*. As with almost all technological advances, there are major benefits which include a substantial increase in lifespan spawned by AI's medical capabilities, energy and energy management, autonomous vehicles which will save many thousands of lives annually, worker safety improvements, ending of "grunt" type chores of employees, entertainment, and many other advantages. The current and futuristic negative changes include massive losses of certain types of occupations, the possible demise of privacy rights especially with facial and image recognition technology already in use, advances in lethal weapons, diminution of intellectual property rights, biases inherent in the technologies, and other threats to humanity.

PRACTICAL IMPLICATIONS

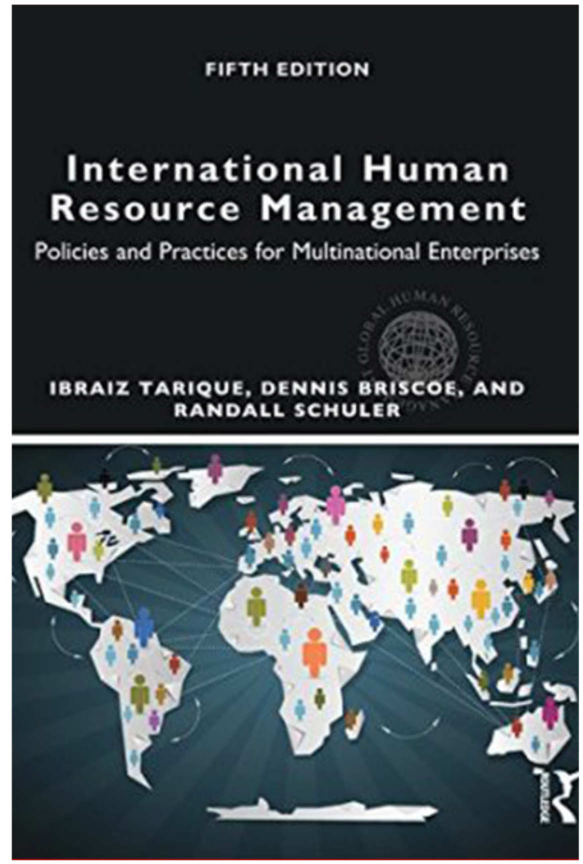
- AI is and will bring about changes in society which one may only speculate, and there is much unsubstantiated speculation.
- Whereas technological advances brought about changes that took years, if not decades, for society to adapt, AI will cause a rapidity of lifestyle modifications that may necessitate adaptation almost annually.
- Governments and other institutions will have to assist with the appropriate regulatory, as well as related transitions, and be responsive rapidly to the major transformations that will occur.

* **DR. ROSARIO GIRASA** is a Distinguished Professor at Pace University, and has been an instructor in the Department of Legal Studies and Taxation at the Lubin School of Business for the past 40 years. He practiced law as a litigator, is the author of five books exploring the laws and regulations concerning cyber law, the law of finance, and regulation of blockchain, has authored or co-authored 130 articles. He has lectured worldwide including in MBA courses at the University of Shanghai and in Germany, and has led conferences in Tunisia.

BOOK ABSTRACT 4

INTERNATIONAL HUMAN RESOURCE MANAGEMENT POLICIES AND PRACTICES FOR MULTINATIONAL ENTERPRISES, 5TH EDITION

Written by Dr. Ibraiz Tarique* (with Dennis R. Briscoe and Randall S. Schuler) and published in 2015 by Routledge – New Edition is forthcoming in 2020.



ISSUE AND IMPORTANCE

The conduct of business is increasingly global in scope and managing a global workforce has become even more important in the successful conduct of global business. This book comprehensively and thoroughly covers the field of International Human Resource Management (IHRM). It focuses on the IHRM and talent management issues, changes, and challenges facing multinational enterprises (MNEs) and MNE managers as they internationalize their business operations.

MAIN FINDINGS

International Human Resource Management can be organized into four broad areas. The first area refers to the Strategic Context of the MNE. This area describes how an MNE's business strategy relates to its human resources strategy. The second area, a National and Cultural Context, focuses on how a country's national, cultural, and legal environments can impede or promote the implementation of a MNE's IHRM strategy. The third area, Global Talent Management, looks at how the HR function within the MNE attracts, develops, and retains expatriates and other types of foreign assignees. Finally, the last section focuses on the role and the future of IHRM. Of particular relevance to the theme of this issue is how IHRM professionals are changing to become critical strategic partners supporting MNE goals, strategy, and growth.

PRACTICAL IMPLICATIONS

- For top global managers, it is important to link business strategy to IHRM strategy to see how a country's national culture impacts IHRM.
- For middle global managers, it is important to attract, select, develop, and retain expatriates as well as to utilize expatriates to manage and control foreign subsidiaries and manage employee safety issues on foreign assignments.
- For students and future global managers, it is important to understand emerging talent management issues in North America, Latin America, Europe, Asia-Pacific, and Africa, as well as to learn how to develop a career in international human resource management.

* **DR. IBRAIZ TARIQUE** publishes and consults in the area of International Human Resource Management with a focus on issues related to global talent management, and developing high potential employees. He is currently editing *The Routledge Companion to Talent Management*. The goal of this book is to provide an authoritative, in-depth and comprehensive examination of important scholarly topics related to talent management. Dr. Tarique has written extensively in academic and professional journals, presented numerous papers at the Annual Academy of Management Meetings, is a member of several editorial boards of the international peer-reviewed journals, and has authored four books (one solo and three co-authored).