

# GEN501

## Research Methodology

### Module 3, 2022-2023

#### Course Information

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**Instructor: DuckKi (John) CHO**

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**Teaching Assistant: TBA**

Email:

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**Classes:**

Lectures: Tuesdays 15:30-17:20

Venue: PHBS Building, Room TBA

**Course Website:**

Search "Research Methodology (2022-2023 M3) (GEN501)" from PHBS Course Management System (CMS): [cms.phbs.pku.edu.cn](https://cms.phbs.pku.edu.cn). The enrolment code will be announced in class.

All students must register into CMS because the course assignments will be distributed and submitted through the course website.

Note: Please enter your name in ENGLISH when you register on CMS because the system does not recognize Chinese characters.

## 1. Course Description

### 1.1 Context

Course overview: This course is designed to explore methodologies required to engage in high-quality research, thereby positioning the students to produce a high-quality thesis. Students who take this course will be exposed to contemporary works in finance and economics as well as taught about the usual pitfalls to avoid in doing empirical research. This course will have a seminar-based structure and encourage the students to read research papers and critically evaluate them. Using published papers as examples, we will comprehend what constitutes interesting hypotheses, how to develop empirical models to test them, and how to perform and interpret empirical analyses and results. The course will enable students to understand published works in their area of choice, perform a thorough review of the literature, develop hypotheses, and eventually come up with their research proposal (with the potential to extend it to their theses) by the end of the module.

Prerequisites: Students are required to have completed the prerequisite courses, as specified by HSBC Business School.

## 1.2 Textbooks and Reading Materials

There is no required textbook for this course. Course materials like a reading list of seminal articles and lecture slides will be disseminated throughout the course via CMS. However, the following references may be supplemental to the course:

Optional: Chris Brooks, *Introductory Econometrics for Finance*, 3rd ed., Cambridge University Press.

Optional: Ulrich Kohler and Frauke Kreuter, *Data Analysis Using Stata*. 3rd ed., StataCorp LP

## 2. Learning Outcomes

### 2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment (YES with details or NO)
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	YES (critique and proposal)
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	YES (critique and proposal presentation)
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	YES (critique and proposal presentation)
	2.2. Students will be able to apply leadership theories and related skills.	YES (critique and proposal presentation)
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it.	YES (ethical practices in research)
	3.2. Our students will practice ethics in the duration of the program.	YES (ethical practices in research)
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	NO
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	YES (critique and proposal)
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	YES (critique and proposal)
	5.3. Our students will demonstrate competency in critical thinking.	YES (critique and proposal)

### 2.2 Course-specific objectives

The objective of this course is to gear students to produce high-quality theses, a pre-requisite to graduate from PHBS. To this end, this course, through lectures and various assignments, is structured to expose students to classic and contemporary works in finance research. To that extent, the instructor will first make presentations about basic and essential issues in conducting empirical research. Students are then expected to engage in assignments to expose themselves to the literature actively.

Specifically, **each group of two students** will read a selected published paper(s) thoroughly and make a 20-minute professional presentation (e.g., as in an academic conference) to classmates by briefly summarizing the main ideas (hypothesis and motivation), research

methods, and findings therein. We will hold a 5-minute Q&A session after each presentation. In response to each presentation, another group of classmates will discuss the same paper (a 10-minute discussion) by pointing out the limitations and concerns about the paper and providing potential solutions to address these issues. Discussants are required to summarize the paper first (this part should take **only up to 2 slides**) before talking about concerns and suggestions (**the majority** of the discussion slides **must be about concerns and suggestions**). Students who discuss the article are encouraged to open up the class discussion by asking questions to classmates. The exact schedule of paper presentations and discussions will be announced later.

Each student should develop and submit a research proposal as a final product. They have to perform a thorough literature review and explain their research plan, motivation, hypotheses, and empirical design. The report should be about 10-page long (no more than 12 pages – details will be announced later and subject to change) with at least three pages of literature review. The proposal should be presented in 12-point Times New Roman font, with a 1.15-line spacing and 1-inch page margins. The preliminary empirical analysis is only optional (not required). To boost students' soft skills and communication, they must present their work to the entire class (presentation time and schedule will be determined later).

### **2.3 Assessment/Grading Details**

Requirements for the course include attending lectures, participating in class discussions, presenting and discussing a paper, and writing a research proposal. You will be penalized for each absence unless you obtain my pre-approval. The grading of the course can be broken down into the following:

- Class attendance and participation (20%)
- Presentation/discussion of assigned paper (40% = 20% X 2)
- Research proposals document (25%)
- Research proposal presentation (15%)

### **2.4 Academic Honesty and Plagiarism**

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to *PHBS Student Handbook*.

### 3. Topics, Teaching, and Assessment Schedule

Week	Topic (tentative)
1-3	<p><b>Endogeneity issues in empirical research</b></p> <p><u>Reading List</u> (not for student presentation)</p> <p>Roberts, Michael R., and Toni M. Whited, 2013, Chapter 7 - Endogeneity in Empirical Corporate Finance<sup>1</sup>, in George M. Constantinides, in Milton Harris, and in Rene M. Stulz ed.: <i>Handbook of the Economics of Finance</i> (Elsevier).</p> <p>Atanasov, Vladimir, and Bernard Black, 2016, Shock-Based Causal Inference in Corporate Finance and Accounting Research, <i>Critical Finance Review</i> 5, 207–304.</p> <p>de Chaisemartin, Clément, and Xavier D'Haultfoeuille, 2022, Two-Way Fixed Effects and Differences-in-Differences with Heterogeneous Treatment Effects: A Survey, <i>NBER Working Paper</i></p> <p><b>Instructions on how to present and discuss</b></p> <p><u>Reading List</u> (not for student presentation)</p> <p>Cho, DuckKi, Lyungmae Choi, Michael Hertz, and Jessie Jiaxu Wang, 2021, It's Not Who You Know — It's Who Knows You: Employee Social Capital and Firm Performance, <i>Working Paper</i> (available at SSRN: <a href="https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3752197">https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3752197</a>)</p> <p>Ee, Mong Shan, Ferdinand A. Gul, and Wisura Daksith Weerathunga, 2022, Effects of Import Competition on Labor Reallocation: Evidence from Corporate Employment Efficiency, <i>Working Paper</i></p>
3	<p><b>Financing constraints and investment policy</b></p> <p><u>Reading List</u></p> <p>(3.1) Fazzari, Steven M., R. Glenn Hubbard and Bruce C. Petersen, 1988, Financing Constraints and Corporate Investment, <i>Brookings Papers on Economic Activity</i>, 141–195.</p> <p>(3.2) Kaplan, Stephen N. and Luigi Zingales, 1997, Do Investment-Cash Flow Sensitivities Provide Useful Measures of Financing Constraints? <i>Quarterly Journal of Economics</i> 112, 159–216.</p> <p>(3.3) Hadlock, Charles J., and Joshua R. Pierce, 2010, New Evidence on Measuring Financial Constraints: Moving Beyond the KZ Index, <i>Review of Financial Studies</i> 23, 1909–1940.</p> <p>(3.4) Chava, S., &amp; Roberts, M. R. (2008). How Does Financing Impact Investment? The Role of Debt Covenants. <i>Journal of Finance</i>, 63(5), 2085–2121.</p> <p>(3.5) Almeida, H., &amp; Campello, M. (2007). Financial Constraints, Asset Tangibility, and Corporate Investment. <i>Review of Financial Studies</i>, 20(5), 1429–1460.</p>

<p><b>4</b></p>	<p><b>Mergers and acquisitions</b></p> <p><u>Reading List</u></p> <p>(4.1) Moeller, Sara B., Frederik P. Schlingemann, and René M. Stulz, 2005, Wealth Destruction on a Massive Scale? A Study of Acquiring-Firm Returns in the Recent Merger Wave, <i>Journal of Finance</i> 60, 757–782.</p> <p>(4.2) Savor, Pavel G., and Qi Lu, 2009, Do Stock Mergers Create Value for Acquirers?, <i>Journal of Finance</i> 64, 1061–1097.</p> <p>(4.3) Malmendier, Ulrike, and Geoffrey Tate, 2008, Who Makes Acquisitions? CEO Overconfidence and the Market’s Reaction, <i>Journal of Financial Economics</i> 89, 20–43.</p> <p>(4.4) Billett, Matthew T., and Yiming Qian, 2008, Are Overconfident CEOs Born or Made? Evidence of Self-Attribution Bias from Frequent Acquirers, <i>Management Science</i> 54, 1037–1051.</p> <p>(4.5) Aktas, Nihat, Eric de Bodt, and Richard Roll, 2013, Learning from Repetitive Acquisitions: Evidence from the Time Between Deals, <i>Journal of Financial Economics</i> 108, 99–117.</p> <p>(4.6) Golubov, Andrey, Alfred Yawson, and Huizhong Zhang, 2015, Extraordinary Acquirers, <i>Journal of Financial Economics</i> 116, 314–330.</p>
<p><b>5</b></p>	<p><b>Boards of directors</b></p> <p><u>Reading List</u></p> <p>(5.1) Yermack, D., 1996, Higher Market Valuation for Firms with a Small Board of Directors, <i>Journal of Financial Economics</i> 40, 185–211.</p> <p>(5.2) Coles, J., N. Daniel, and L. Naveen, 2008, Boards: Does One Size Fit All? <i>Journal of Financial Economics</i> 87, 329–356.</p> <p>(5.3) Masulis, Ronald W., and Shawn Mobbs, 2011, Are All Inside Directors the Same? Evidence from the External Directorship Market, <i>Journal of Finance</i> 66, 823–872.</p> <p>(5.4) Ahern, Kenneth R., and Amy K. Dittmar, 2012, The Changing of the Boards: The Impact on Firm Valuation of Mandated Female Board Representation, <i>Quarterly Journal of Economics</i> 127, 137–197.</p> <p>(5.5) Lin, Chen, Thomas Schmid, and Yuhai Xuan, 2018, Employee Representation and Financial Leverage, <i>Journal of Financial Economics</i> 127, 303–324.</p>
<p><b>6</b></p>	<p><b>Corporate citizenship</b></p> <p><u>Reading List</u></p> <p>(6.1) Deng, Xin, Jun-koo Kang, and Buen Sin Low, 2013, Corporate Social Responsibility and Stakeholder Value Maximization: Evidence from Mergers, <i>Journal of Financial Economics</i> 110, 87–109.</p> <p>(6.2) Hong, Harrison, and Marcin Kacperczyk, 2009, The Price of Sin: The Effects of Social Norms on Markets, <i>Journal of Financial Economics</i> 93, 15–36.</p>

	<p>(6.3) Ferrell, Allen, Hao Liang, and Luc Renneboog, 2016, Socially Responsible Firms, <i>Journal of Financial Economics</i> 122, 585–606.</p> <p>(6.4) Lins, Karl V., Henri Servaes, and Ane Tamayo, 2017, Social Capital, Trust, and Firm Performance: The Value of Corporate Social Responsibility during the Financial Crisis, <i>Journal of Finance</i> 72, 1785–1824.</p> <p>(6.5) Cronqvist, Henrik, and Frank Yu, 2017, Shaped by their Daughters: Executives, Female Socialization, and Corporate Social Responsibility, <i>Journal of Financial Economics</i> 126, 543–562.</p> <p>(6.6) Hasan, Iftekhar, Chun Keung Hoi, Qiang Wu, and Hao Zhang, 2017, Social Capital and Debt Contracting: Evidence from Bank Loans and Public Bonds, <i>Journal of Financial and Quantitative Analysis</i> 52, 1017–1047.</p>
<b>7</b>	<p><b>Labor and finance</b></p> <p><u>Reading List</u></p> <p>(7.1) Agrawal, Ashwini K., and David A. Matsa, 2013, Labor Unemployment Risk and Corporate Financing Decisions, <i>Journal of Financial Economics</i> 108, 449–470.</p> <p>(7.2) Matsa, David A., 2010, Capital Structure as a Strategic Variable: Evidence from Collective Bargaining, <i>Journal of Finance</i> 65, 1197–1232.</p> <p>(7.3) Klasa, Sandy, William F. Maxwell, and Hernán Ortiz-Molina, 2009, The Strategic Use of Corporate Cash Holdings in Collective Bargaining with Labor Unions, <i>Journal of Financial Economics</i> 92, 421–442.</p> <p>(7.4) Serfling, Matthew, 2016, Firing Costs and Capital Structure Decisions, <i>Journal of Finance</i>.</p> <p>(7.5) Chava, Sudheer, András Danis, and Alex Hsu, 2020, The Economic Impact of Right-to-work Laws: Evidence from Collective Bargaining Agreements and Corporate Policies, <i>Journal of Financial Economics</i> 137, 451–469.</p> <p>(7.6) Klasa, Sandy, Hernán Ortiz-Molina, Matthew Serfling, and Shweta Srinivasan, 2018, Protection of Trade Secrets and Capital Structure Decisions, <i>Journal of Financial Economics</i> 128, 266–286.</p>
<b>8-9</b>	<p><b>Proposal Presentation (Apr 18, Tuesday, 15:30-19:20)</b></p> <p>Note that the <u>lecture on April 11 is rescheduled</u> and merged into a 4-hour class on April 18 (Tuesday). <b>Mandatory attendance day</b></p> <p><b>Final research proposal DUE (23:59, Apr 19)</b></p>

## 4. Miscellaneous

I strongly encourage you to ask questions or make comments during lectures and student presentations. Your participation will enrich our learning environment, and you will benefit significantly from it. If you have special needs to reach me outside the lectures or regular office hours, you may email me. I will try to respond to your email in two business days. Please send me a reminder email if you don't get my response within two business days. Please prefix the course code [GEN501] to the subject header for better visibility when you email me.