**Research Day 2021 Project summaries**

Research Day Speaker: Richard Thakor, Ph.D.:

**Title: Liquidity Windfalls and Reallocation: Evidence from Farming and Fracking**

Financing frictions may create a misallocation of assets in a market, thus depressing output, productivity, and asset values. This paper empirically explores how liquidity shocks generate a reallocation effect that diminishes this misallocation. Using a unique dataset of agricultural outcomes, I explore how farmers respond to a relaxation of financial constraints through a liquidity shock unrelated to farming fundamentals, namely exogenous cash inflows caused by an expansion of hydraulic fracturing (fracking) leases. Farmers who receive positive cash flow shocks increase their land purchases, which results in a reallocation effect. Examining cross- county purchases, I find that farmers in high-productivity counties who receive cash flow shocks buy farmland in low-productivity counties. In contrast, farmers in low-productivity areas who receive positive cash flow shocks do not engage in similar behavior. Moreover, farmers increase their purchases of vacant (undeveloped) land. Average output, productivity, equipment investment, and profits all increase substantially following these positive cash flow shocks. Farmland prices also rise significantly, consistent with a cash-in-the-market pricing effect. These effects are consistent with an efficient reallocation of land towards more productive users.

Y2020-2021 Research Award Recipients:

Dr. Leon Chen – Department of Finance

**Project title: Making Financing and Investing Decisions with Asymmetric Information – A Classroom Simulation Game**

One key teaching area of an introductory or intermediate undergraduate finance course is on the concepts of debt and equity, and the valuation problems based on their risk and return characteristics. This paper first introduces a classroom-based simulation game that can help students reinforce these concepts through an interactive experience. The second purpose of the paper is to use the game as an experimental tool to shed light on the corporate capital structure decision with asymmetric information. In corporate finance, the problem of firm capital structure is still intensely debated. It starts with Modigliani and Miller (1958) capital structure irrelevance proposition under perfect market conditions. However, the market penalizes the issuance of equity if managers know more about the firm than other market participants, and thus equity issuance should be used as the last resort (pecking order theory). Since the empirical evidence is mixed and limited, the results of the simulation game can potentially offer additional insights.

Dr. Shane Bowyer – Department of Management

**Project title: Agriculture gigs: Motivations and hurdles in the current economy**

The gig economy has seemed to become more prevalent in the past decade because of advances with technology and the use of social media to promote services. However, gigs, which are often referred to as side-hustles or off-farm income in the agriculture realm, have been around the farm for many decades. Yet, research concerning the side-hustles of farmers is limited, and agricultural reports have mostly focused on the dollar amount of off-farm income without getting into specifics of what farmers are doing or addressing issues. This research explores in more detail the types of farmers’ entrepreneurial activities, motivations, and barriers. The goal of the research is to provide insight into the history of farmer side-hustles and possibly identify barriers which could be addressed to help them be more successful.

Dr. Angela Titi Amayah – Department of Management

**Project title: The role of indigenous knowledge in indigenous entrepreneurship**

Indigenous knowledge is local knowledge aggregated by communities over generations, reflecting many years of experimentation and innovation in all aspects of life (Mehta, Alter, Semali, & Maretzki, 2013). Indigenous knowledge is local, particular to a place, and generated by people living in those places (Ellen & Harris, 2000). It is transmitted orally or through imitation and demonstration and is the consequence of practical engagement in everyday life where it is reinforced by experience, trial and error, and deliberate experiment. Indigenous entrepreneurship can be understood as the creation, management and development of new ventures by indigenous people for the benefit of indigenous people (Lindsay, 2005, p. 1). Indigenous entrepreneurs represent a significant proportion of the population in developing countries. Those indigenous entrepreneurs usually operate in the informal sector of the economy. Indigenous entrepreneurs generate innovations from resources that abound in their environment (Gupta et al., 2003). Data will be gathered from indigenous entrepreneurs through interviews to examine and better understand the role of indigenous knowledge, values, languages and institutions in indigenous entrepreneurship, innovation and enterprise development.

Dr. Oksana Kim – Department of Accounting and Business Law

**Project title: Protectionism through legislative layering.**

Protectionism is on the rise. Although it tends to be associated with tariffs on imports, governments are increasingly applying other mechanisms to influence international business. Import substitution policies have been used to replace purchases from foreign producers with local alternatives. Russia implemented import substitution through legislative layering where layers of regulation created increasing requirements targeting different industries and companies. We are interested in effects of such policies on the Big 4, global professional service firms, and the choice of auditors by partially privatized enterprises (PPEs). We utilize multiple agency perspective to obtain insights into agency challenges and conflicts of interest in PPEs. We find that companies with significant state ownership were more likely to switch away from the Big 4. In the post import substitution period, PPEs were less likely to get modified opinion on IFRS audits. The likelihood of leaving the Big 4, firms positioned as foreign in Russia, was strengthened for PPEs in strategic industries. The policy contributed to companies switching from the Big 4 to the next tier of audit firms. However, such auditor changes did not occur at the cross-listed enterprises due to additional monitoring.

**Sabbatical presentations:**

Dr. Kevin Elliott (Department of Marketing and International Business): “**Self-driving vehicles: Factors that impact intention to use and likely driver profiles".**

Self-driving vehicles appear to be on the horizon in the United States. Important questions facing marketers are: 1) What will be key motivating factors for potential consumers when deciding whether to purchase/use a self-driving vehicle? and 2) What are the different profiles/segments of likely adopters of self-driving vehicles? This study surveyed 1,050 consumers using Qualtrics. Results show that social influence, attitude towards a self-driving vehicle, perceived safety, and perceived pleasure all have a direct effect on a potential consumer’s intention to use a self-driving vehicle. Additional findings show that marketers could segment users of self-driving vehicles based on the emotional states of pleasure, arousal, and dominance. Marketing implications and strategies are provided that should enhance the consumer adoption process for self-driving vehicles when they become commercially available within the U.S. around 2030.

Dr. Daniel Hiebert (Department of Finance): “**Emotional Attachment and the Decision by Family Business Owners to seek help from a Succession Planner”.**

A common goal of family business owners (FBOs) is to keep the business in the family and pass it on to future generations. Yet, few transitions are successful. The process of succeeding the business has many emotional and psychological components, such as behaviors, attitudes, traits and emotions that are often neglected. Professional succession planners could help FBOs navigate through these factors. However, many FBOs choose not to engage in such services, which may contribute to the problem of failed transition. This paper was a focused examination of an FBO’s emotional attachment to their firm, and the impact this had on their decision to seek help from a succession planner. Analysis from a survey of 347 FBO responses indicated a positive association between an FBO’s emotional attachment to their firm and their use of a succession planner. FBO’s who used a succession planner were also found to have less emotional attachment to their firm than those that did not. The analysis also found sufficient associative support for other variables such as behaivors, relationhsips and traits with emotional attachment being the most dominant.

Dr. Ferdinand Siagian (Department of Accounting and Business Law): **“Rethinking the role of accounting faculty in an online environment: student perception on the importance of online accounting faculty”.**

Media comparison studies find that there is no significant difference in performance between distance learning (including online learning) and face-to-face students (Conger, 2005). This finding implies that students can perform equally well regardless the media of learning. This study investigates whether students believe that an accounting faculty teaching an online course can be replaced by the technology and resources provided by the publishers. We focus on the technology provided by the publisher because it is very sophisticated and is required, used, and learned by every student in the course during the pandemic. We send out questionnaires to students who take accounting classes at MNSU Mankato in the Fall 2020 and Spring 2021 to test our hypotheses.