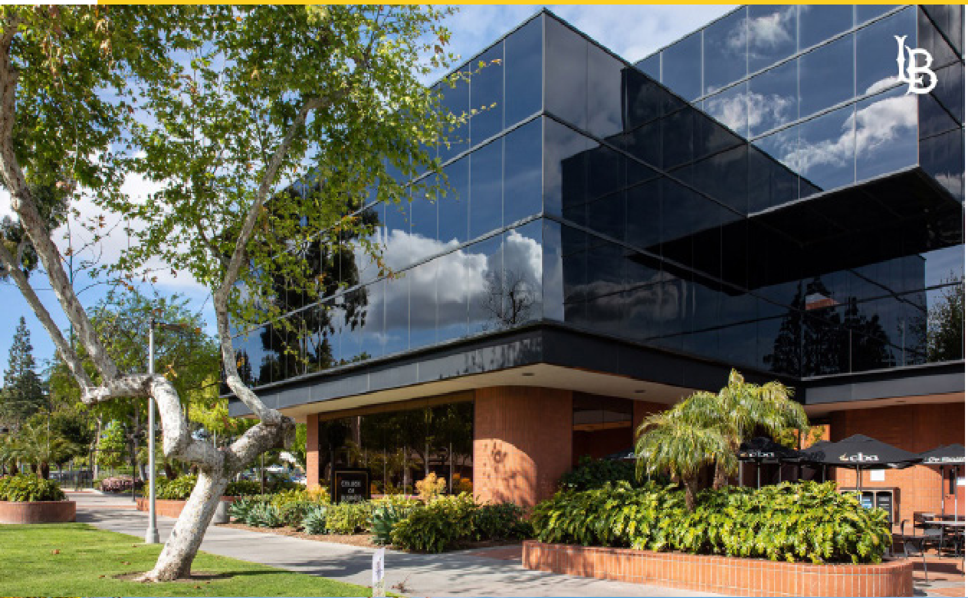
WINTER 2021 ISSUE
COLLEGE OF BUSINESS

ENGAGEMENT, INNOVATION, AND IMPACT



COLLEGE OF BUSINESS

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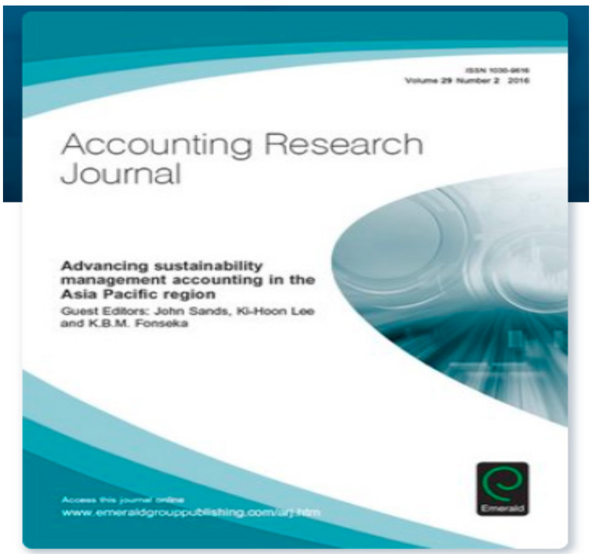
AACSB ACCREDITED

DO HIGH REPUTATION COMPANIES PAY MORE NON-AUDIT FEES?



PUBLISHED JUNE 26, 2021
XUAN HUANG,
ACCOUTANCY
https://doi.org/10.1108/ARJ-07-2020-0171

The purpose of this study is to investigate the association between companies' reputation and their purchase of non-audit services (NAS). This study measures company reputation using the reputation scores from Fortune's "America's Most Admired Companies" list. Multivariate analysis is performed to examine the association between public companies' overall reputation and their decision of NAS purchase. Robustness checks are performed to control for self-selection bias and alternate measures are used to proxy for company reputation and NAS fees. This study finds that high-reputation companies on average pay more NAS fees than their counterparts. The results suggest that due to less severe agency conflicts, high-reputation companies tend to purchase more NAS from their incumbent auditors to appreciate the potential benefits of the auditors' knowledge spillovers. The findings of this study on the association between company reputation and NAS fees contribute to the literature by providing additional insight on the factors influencing companies' NAS purchases. The results of this study suggest that a unique company-level characteristic, company reputation, is significantly associated with companies' NAS purchase, and therefore has both policy and practical implications for the demand of NAS. This study also adds to the growing literature on the influence of company reputation on corporate behavior by documenting the important role that company reputation plays in the managerial decision-making process

MARKETING STRATEGIES OF EARLY STAGE ENTREPRENEURS

PUBLISHED JANUARY 12, 2022

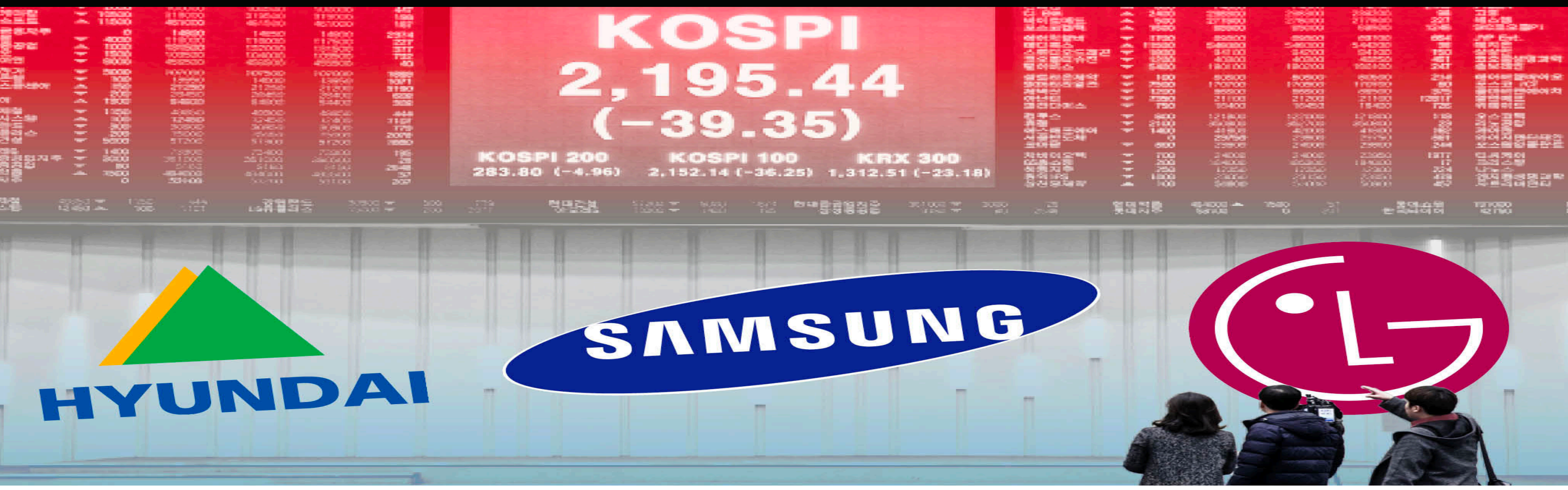
TIANJIAO QIU,

MARKETING

https://doi.org/10.1108/AJEMS-06-2021-0298

The purpose of this paper is to examine how early-stage entrepreneurs' opportunity motivation impacts their choice of market growth strategies as well as the contingent roles of institutional environments and product-market conditions in Africa. As the first study to explore multilevel influences on early-stage market growth strategies in Africa, the study sheds new insights into early-stage entrepreneurs' entrepreneurial marketing process in Africa. Due to the historical, economic, and social constraints, market development in Africa is a progressive process and requires government support through effective policies. This study brings the market, the core of the business activities, to the limelight of entrepreneurial marketing research in Africa and call for academicians' and practitioners' attention to study market growth paths of early-stage entrepreneurs in Africa. Policymakers need to understand the different challenges and opportunities in growing the market through either market penetration or market exploration strategies since market growth is the binding force that leads to the fulfillment of the existing Africa market needs and contributes to identifying new market opportunities. Instead of rigid and prohibitive market-related policies, policymakers in developing economies need to develop flexible, supportive market-related policies based on early-stage entrepreneurs' growth paths, institutional environments, and product-market conditions. Market-related policies that provide resources and training for effective marketing practices, such as social media promotion and dynamic pricing, can help early-stage entrepreneurs who adopt market penetration strategies compete against rival firms in the existing market. Likewise, for early-stage entrepreneurs who adopt market exploration strategies, market-related policies that protect intellectual properties and foster the market's creativity can boost the vitality of the market exploration process. Therefore, flexible market-related policies are needed to channel the necessary resources to the early-stage entrepreneurs who face different market growth challenges.

DO INVESTORS LISTEN? EXPLORING THE EFFECT OF INVESTOR RELATIONSHIP MANAGEMENT ON FIRM-SPECIFIC STOCK RETURN VARIATION




Volume 59, January 2022 ISSN 0275-5319

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Access point to full text and abstracts of 80 journals in economics, econometrics and finance

PUBLISHED FEBRUARY 14, 2022
DR. PARAMITA GUPTA, DR. YULONG MA,
DR. JASMINE YUR-AUSTIN,
FINANCE
https://doi.org/10.1016/j.ribaf.2021.101598

The study examines how a firm's investor relationship management may help explain the variation in the firm's stock return using the Chinese stock market data. It finds a firm's investor relationship management has a significant positive effect on the magnitude of firm-specific return variation in its stock. The study further finds that the relationship varies across different regions in China because of the differences in the institutional environment. It shows a stronger relationship for firms in regions with a high level of marketization, a high degree of rule of law, and a low degree of government intervention.


Dr. Paramita Gupta


Dr. Yulong Ma


Dr. Jasmine Yur-Austin

STUDY ABROAD UPDATES
AY 21-22

Catching up with International Business Study Abroad trips

Due to the ongoing pandemic, we reduced the number of study-abroad programs we typically offer. In fall 2021, we ran a program completely virtually in collaboration with three other foreign universities, namely, the Hamburg University of Applied Science from Germany, Universidad de Cantabria Santander and Universidad de Las Palmas de Gran Canaria from Spain. The course was offered under course number CBA 495. We had 20 participants from CSULB, 21 from Hamburg University of Applied Science, and seven in total from the two universities from Spain. Students were placed in mixed teams and each team consists of members from different countries. Students were asked to conduct a research project on “Competitive port clusters in times and beyond exogenous shocks: Implications for the Port of Hamburg (Germany), Port of Los Angeles (USA), Port of Long Beach (USA), Port of Santander (Spain), and Port of Las Palmas (Spain)”. The project provided students an opportunity to analyze current business issues, particularly global supply chain and port operation. We invited guest speakers from three countries to give presentations on current issues to help students better understand the research question. Most of these guest speakers are in a high position in their respective organizations and have years of experience in port issues. We aimed to achieve two goals: (1) allow the students to apply what they learned in prior business courses to analyze a current global business problem; (2) allow the students to learn how to work effectively in a team consisting of people from the different social-cultural background.

CBA 494 FALL 2021

Additionally, we also offered CBA 494 in fall 2021. The original plan was to travel to Vietnam and Japan in winter 2022. Due to the on-going travel restrictions, we changed our travel plan to Germany. Dr. Hieu Nguyen took 21 students (five of them are graduate students) to Munich and Frankfurt from Jan 3 to Jan 13. They had four company visits and one lecture led by a professor at Munich Business School, in addition to some cultural activities, city tours, museum visits, etc. We aimed to achieve several goals: (1) enable students to work successfully in teams to solve business problems that arise in competitive environments; (2) enable students to strengthen both oral and written communication skills through individual and team assignments; (3)

STUDY ABROAD UPDATES
AY 21-22

increase their understanding of and appreciation for the complexities of the domestic and global environments of business and the unique demands of doing business internationally.

GERMANY SPRING 2022

Finally, we plan to resume our program to Germany in spring 2022, which is offered under course number CBA 494B. We have been running this program continuously for over 25 years, in collaboration with our partner school the Hamburg University of Applied Science. See the news article for more information about our collaboration. Dr. Jonathan Phan will lead this program. Currently, there are 18 students enrolled in this course (15 undergraduate students and three graduate students). We had to convert this program to a virtual program in the last two years due to the pandemic. We hope this time we will be able to provide an opportunity for the students from both sides to reconnect. The trip is scheduled at the end of May or early June.

EFFECTS OF CAUSE MARKETING LAWS ON FIRMS AND CHARITIES

How does regulatory monitoring of cause marketing affect firm behavior and donations to chairty?

Cause marketing (CM) typically involves for-profit firms donating part of their sales revenue to a charity, with the hope that this will increase their profit. We argue that it is important for a regulator to monitor firms' CM activities, and to assess how differences in the enforcement of CM laws impact the CM practice by firms.

Our analytical model uses a Stackelberg leader-follower game that endogenizes the regulator's decision to enforce CM. The firm then decides whether to truthfully declare or overstate the amount it contributes to charity (and if overstate: by how much). We find the following results in equilibrium under different conditions: (i) CM campaigns are a win-win-win situation – they increase profit for the firm while being truthful, generate larger donations for the charity, and generate a cause marketing surplus for the regulator, resulting in "doing well while doing good," (ii) the best response of the firm is to be strategic, even when the regulator is strict with monitoring, or (iii) the regulator itself decides not to monitor CM, even though it knows that this results in untruthful behavior by firms. When we endogenize the extent of an overstatement, we find that the firm tends to be strategic by overstating donation percentage, whether the regulator is strict or not. As the proportion of unsophisticated consumers increases, the donation proportion decreases in general, and the overstatement level increases when the regulator is lenient and decreases when the regulator is strict. In equilibrium, the regulator is strict if the market size is large, and lenient otherwise.

A survey with consumers supports key modeling assumptions regarding consumers' lack of knowledge of CM laws.

PUBLISHED FEBRUARY 3, 2022
DR. YU WANG
MARKETING
https://doi.org/10.1016/j.ijresmar.2022.01.003

INVOLVMENT IN OFFSHORE FINANCIAL CENTERS AND AUDIT FEES

Involvment in offshore financial centers and audit fees: Evidence from U.S. multinational firms

PUBLISHED FEBRUARY 2022

DR. SANJIAN WILLIAM ZHANG

ACCOUNTANCY

https://www.researchgate.net/publication/358730407_Involvement_in_offshore_financial_centers_and_audit_fees_Evidence_from_US_multinational_firms

Over the past three decades, a growing number of multinational enterprises (MNEs) have established affiliates or subsidiaries in offshore financial centers (OFCs). As defined by the International Monetary Fund (IMF) (2000), OFCs are countries or jurisdictions with low or zero taxation, moderate or loose financial regulations, and/or banking secrecy, where a relatively large number of financial institutions engage primarily in business with nonresidents. Some more famous examples include places such as the British Virgin Island, Bermuda, as well as a few tourist attractions, such as Singapore, and Switzerland. Attracted by these institutional features, U.S.-based MNEs often create multi-tiered corporate structures and use complex tax-avoidance transactions to shift income to OFC affiliates or subsidiaries. According to a report by Professor Zucman at U.C.Berkeley in 2014, about 20% of all U.S. corporate profits are booked in OFCs, a tenfold increase since the 1980s. The transfer-pricing practices of U.S. MNEs through OFCs have triggered heated debates and a series of congressional investigations in recent years. However, despite the extensive media coverage of OFCs and the growing concerns about the lack of transparency of OFC operations, there is little empirical evidence on whether auditors price their audit services differently to clients with foreign operations in OFCs and those in non-OFCs.

We construct a sample that includes 1,530 U.S. MNEs with affiliates or subsidiaries in OFCs (labeled as OFC firms hereafter) (7,420 observations) and 2,177 U.S. MNEs with foreign

INVOLVMENT IN OFFSHORE FINANCIAL CENTERS AND AUDIT FEES

operations in non-OFCs (labeled as non-OFC firms hereafter) (8,213 observations) from 2004 to 2016. We use three measures to capture the extent of a firm's involvement in OFC operations: (i) an indicator variable, Offshore, that equals 1 if a firm has at least one affiliate or subsidiary located in an OFC in a given year, and 0 otherwise; (ii) the percentage of affiliates and subsidiaries in OFCs (OFC_Subsidiary_Ratio); and (iii) the weighted average of Masciandaro's (2008) offshore attitude index for the host countries of a firm's affiliates or subsidiaries (OFC_Index), which captures the intensity of a firm's operations in OFCs with offshore attributes. We find that all three measures of involvement in OFC operations are positively and significantly associated with audit fees after controlling for commonly known audit fee determinants. This result indicates that auditors charge higher audit fees to OFC firms than to non-OFC firms and that among OFC firms, those with a greater extent of OFC operations pay higher audit fees. We also perform analyses to shed light on whether the auditor-provided tax services affect the OFC–audit fee relation. Our results indicate that the knowledge spillover effect of auditor-provided tax services is weaker for OFC firms than for non-OFC firms and that auditor-provided tax services are associated with a higher audit fee premium for firms with more intensive OFC operations, which is consistent with the litigation risk explanation. We also use available data to establish two new measures, regulatory arbitrage opportunity and secrecy protection level of host countries for MNC subsidiaries. We find that auditors perceive audit risk to be higher when regulatory arbitrage opportunity is greater and an audit client's foreign operating environment is opaque due to OFC secrecy policies. For all the results above, we perform multiple robustness tests and results are all robust under these additional tests.

Our study makes several contributions. First, it extends the literature on the economic consequences of OFC operations. Prior studies have examined the effect of OFC operations on firm value, the value of foreign cash-holding, firms' earnings management, tax avoidance, executive compensation, bank loan contracting terms, loan syndicate structure, and management forecasts. Unlike previous studies, our research adopts the auditor's perspective and documents a positive effect of OFC involvement on audit risk and audit fees.

Second, our study extends a growing body of literature on how business strategy or location affects audit fees. Prior studies find that clients following a prospector strategy (i.e., rapidly changing their product market mix to be innovative market

INVOLVMENT IN OFFSHORE FINANCIAL CENTERS AND AUDIT FEES

leaders) pay higher audit fees and that internationalization, cross-listing location, and domestic headquarters location affect audit pricing. We find that OFC involvement has incremental explanatory power for audit fees after controlling for business strategy, traditional internationalization measures, such as the “ratio of foreign assets” and “business complexity”, and tax aggressiveness. This finding suggests that our measures of OFC operations are separate constructs providing incremental information content over and beyond these traditional measures. Our study complements this line of research by documenting the geographic location of a firm’s foreign affiliates or subsidiaries as an important audit fee determinant. We also provide new evidence that auditors incorporate risk related to regulatory arbitrage opportunities and information opacity of OFCs, a factor that has not been picked up in prior studies, into the pricing of their assurance services.

Finally, it is important to point out that OFC is not equivalent to tax shelter since the former is a specific country or location, while the latter is “a financial arrangement made to avoid or minimize taxes”, according to the Concise Oxford English Dictionary. An excellent example of tax shelter is the sale-in-lease-out transaction in the well-cited Wells Fargo & Co. v. United States No. 2010-5108, where a bank finances various infrastructure expenditures at U.S. tax-exempt agencies for a significant tax deduction. This case involves $150 million in depreciation from 26 transactions (tax shelters), while 17 out of 26 counterparties were U.S. domestic transit agencies (NOT any of the international 33 OFCs is involved here). The remaining nine transactions were equipment-related financial leases, also no transactions happened in any OFC. In sum, past tax shelter literature is completely different in underlying concept and scope.

JOURNAL OF ELECTRONIC COMMERCE RESEARCH (JERC)

Journal of Electronic Commerce Research (JECR) was established in 2000 by Dr. Robert Chi and Dr. Melody Kiang from the College of Business, CSULB.

JECR is high-quality, open access, double-blind peer-reviewed interdisciplinary research journal with paper and electronic publication. The study “Global Perceptions of Journals Publishing E-commerce Research,” Communications of the ACM, Volume 45, Issue 5, has ranked JECR as #4 in overall quality in publishing E-Commerce research. The study “Academic Perceptions of Electronic Commerce Journals: Rankings and Regional Differences,” by Ku et al., published in Feb. 2018, surveyed 162 Information Systems scholars worldwide ranked JECR as the top 2 journals among comprehensive E-Commerce journals.

In 2011, JECR was selected for coverage in the Current Contents/Social and Behavioral Sciences (CC/S&BS) and Social Sciences Citation Index (SSCI) by Thomson Reuters and in Scopus by Elsevier. The 2020 Impact Factor of JECR is 2.861. In addition, JECR has been constantly ranked as Q1 (best quartile) journal by Scimago Journal & Country Rank (SJR) since 2014. The College of Business and California State University Long Beach’s name show on top of the Journal Citation Reports published by Clarivate.

Since the journal’s inception, Dr. Kiang has been serving as the Editor-in-Chief of the journal. Dr. Robert Chi is currently serving as Co-Editor in Chief, and Dr. Mohamed Abdelhamid from the Information Systems department also serves on the journal’s editorial board. Each year, the journal receives more than 200 manuscripts for publication consideration, and the final acceptance rate is around 10%-15%.


Journal of Electronic Commerce Research
VOLUME 18, NUMBER 3, 2017
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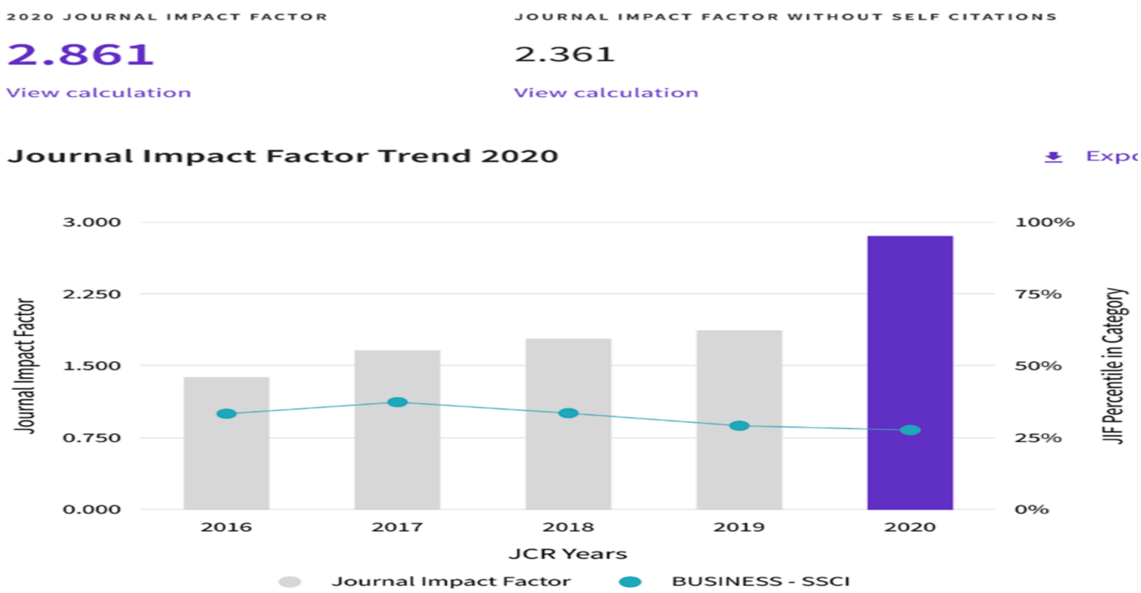
Journal of Electronic Commerce Research

JOURNAL OF ELECTRONIC COMMERCE RESEARCH (JERC)

JECR publishes papers in all business-related disciplines. The journals that frequently cite JECR articles include the International Journal of Information Management, Industrial Management & Data Systems, Behavior & Information Technology, Information Technology & People, Journal of Retailing and Consumer Services, Electronic Commerce Research and Applications, and the International Journal Hospitality Management, etc.

As the journal continues to grow its quality and recognition in the E-Commerce discipline, it will also help to demonstrate the impact of the College of Business and the California State University Long Beach



2020 Journal Impact Factor 2.861 and 5-year journal impact factor trend - the change from 2019 to 2020 is dramatic

Note this complex diagram can be explained to anyone by reaching out to the author if needed.

END