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Research: Board Directors are More Likely to Leave When a Firm is Getting Criticized – *by **Joseph Harrison**, Steven Boivie, Nathan Sharp and Richard Gentry*

In 2013 an activist investor criticized the board at ConMed for a "culture of nepotism, patronage, and dystopian corporate governance." Director Stephen Mandia, who had served on the board for 12 years, departed shortly after. Two other directors stayed on the board but picked up additional board seats at other firms within the year. When Baker Hughes and Halliburton were both downgraded by equity analysts following an Obama administration oil drilling ban in 2010, several of their long-serving directors decamped to take up seats at other firms. What these examples suggest is that directors will leave firms that experience negative attention, often obtaining board seats elsewhere.

We conducted a study to understand how reputation motivates directors to leave their board appointments. Given the relatively low compensation tied to directorships, compared with other opportunities afforded executives (such as serving in a management role), as well as the fact that it appears to be incredibly difficult to "fire" a director, our findings suggest that directors primarily serve to build and service their individual reputations. Our results also indicate that directors are more likely to leave when criticism of the firm begins to endanger that reputation.

We investigated the consequences of a firm receiving negative attention by equity analysts and the news media. We examined the boards of all S&P 1500 firms from 2003 to 2014, and measured negative attention using equity analyst recommendations and an equity trading database that tracks media coverage. We found that directors are 15% more likely to leave boards (by avoiding reelection after the typical three-year board term) when those firms are downgraded by influential equity analysts, and they are 29% more likely to leave when they are criticized in the media. Additionally, directors who are top executives at other firms, serve on several boards, or have been on a board for a long time are more likely than other directors to leave the board when it is receiving negative attention. On the other hand, directors who serve as the chair of board, and may therefore be more engaged in the firm, are less likely to leave in response to negative attention.

We controlled for other factors that could motivate a director to leave. For example, we controlled for the possibility that negative firm performance was creating both the negative coverage and the director exit. But our results showed that negative media and analyst coverage was substantially unrelated to firm performance and that firm performance did not have an important impact on a director exit.

Of course, these findings do not directly prove that directors quit because of the negative attention or that they perceive negative attention as a threat to their reputation. But if directors were concerned about their reputations, we hypothesized that when their firm received negative attention, they would seek new board seats to insulate their reputations, even if they did not resign from their current seat. This is indeed what we found. Directors on the board of a firm that received bad press were more likely to be appointed to other public company boards following the negative attention, whether or not they left the original firm.

Most boards are now almost completely composed of “outside” directors — directors who are not executives at the firm — despite the fact that this may actually hamper firm performance. Outside directors are a relatively small group of people atop the world’s largest organizations (in 2014 there were fewer than 10,000 different outside directors in U.S.-listed companies), and they care deeply about their reputations. One director we talked to, who had served on the boards of multiple companies traded on the New York Stock Exchange, said:

Protecting one’s reputation for good business judgment and integrity is a common concern for directors. No director wants to be caught up in a publicized corporate debacle and become “untouchable” for future opportunities. I remember feeling relieved that I wasn’t on the Enron board when that company blew up. Same for the boards of General Motors, Wells Fargo, and some of the pharm firms that are enduring continual public flogging.

Because directors must protect their reputations, some appear to leave when negative media and analyst attention on the firm gets too intense. Understanding the strategies directors use to protect their reputation (resigning from boards, pursuing new boards, and so on) can help executives create policies to keep directors engaged in the unity and consensus building that strong corporate governance requires.

The results from our paper suggest two areas for further investigation. The first is to look at how to help directors protect their reputations so that they remain engaged in the board. Firms might want to identify alternative strategies and opportunities to help directors burnish their reputation without exiting the firm, perhaps by creating more nonexecutive chairs or lead independent director positions.

The second area is understanding how reputation influences the market for director talent. Executives hoping to protect the continuity of their board might take steps to praise individual directors and boost their reputations. They should also consider better documenting directors’ careers and participation. And firms might encourage popular media outlets for executives to popularize strong governance practices and capable directors. Directors whose reputations are bolstered by the media, independent of the firms where they serve, will find it easier to stay on a board when the firm is struggling.

Overall, these are important issues for companies and executives to consider if they are to retain the best talent and promote strong corporate governance.

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August 4, 2017
MBA Application: How to Best Use the Summer Before Applying to Business School – by *Barbara Coward*

What’s on your bucket list this summer? Summer skiing in California’s High Sierra? Swimming with sharks in Cancun? Surfing school in Iceland?

We all like to make plans for how we spend our personal time, but what about plans for how you spend most of your time? Do you have a career bucket list for your professional goals?

According to GMAC, more than 200,000 graduates each year consider an MBA essential on their career bucket list. In addition to being a prestigious credential, it also provides more control over their lives.

Whether you intend to apply for an MBA this year or the one after next, there are things you can do right now to make the best use of your summer before you apply to business school.

We went right to the source and asked admissions directors across the country for some recommendations:

Peggy Conway, Director of MBA Admissions, TCU Neeley School of Business:

Why do you want to pursue your MBA? What are your career goals? If you aren't ready to answer those questions, it's worth investing some time over the summer before starting the application process.

Do some research. You can find many online resources. Spend time better understanding your targeted field through industry publications or blogs. Identify and reach out to individuals in targeted positions. They may be willing to chat with you by phone or meet for coffee to talk more about their career path.

Star-Telegram

August 11, 2017
Want a high-paying job? Look for a spot on the assembly line – *by Andrea Ahles*

Desiree Rucks had never worked in plastics. But after stints at Pier 1 Imports and Kroger, Rucks decided to try a job in manufacturing, working for Klein Tools in Mansfield. Now, after two years of making pliers and screwdrivers, Rucks can't see herself doing anything else.

Rucks is one of thousands of workers who have gone to work in North Texas factories over the past decade, building everything from hand tools and oil industry machinery to fighter jets and SUVs.

Despite concerns over a shift of manufacturing jobs to Mexico and other countries, the Fort Worth-Arlington area has added almost 10,000 manufacturing jobs since 2009, according to the Bureau of Labor Statistics (BLS).

These jobs pay better than positions in other sectors that have been growing locally, such as warehouse workers or hotel clerks. The average wage for manufacturing jobs in Tarrant County has jumped 80 percent since 2007 to $34.44 an hour, according to the BLS, though that includes not just production workers but also engineers and administrative positions.

That's almost $10 more an hour than the average private-sector worker, who makes $25.23 an hour, and similar to nurses who average $34.79 an hour. It's also substantially more than what a construction worker makes, $14.35 an hour on average, or a warehouse packer, who averages $11.64 an hour.

As a result, job seekers are flocking to manufacturing companies with openings. More than 3,000 North Texans showed up at a job fair held by Lockheed Martin last month where the defense giant hired more than 800 people to work on its F-35 production line, some of the most coveted factory jobs in the region.

The company plans to hold another job fair Aug. 29 to hire for positions such as structural assemblers and aircraft mechanics as it ramps up production of the new fighter.

Although the loss of manufacturing jobs has been a concern nationwide in recent years, manufacturing has rebounded locally and makes up close to 10 percent of all jobs in Tarrant County. Although the number has yet to reach pre-2009 recession levels, more than 95,000 jobs in Tarrant County are in the manufacturing sector, up 3 percent from last year.

Manufacturing output is also growing faster each month, and employers are hiring more workers or increasing work hours for existing employees, according to the Dallas Fed's monthly manufacturing outlook.

In North Texas, people typically need little to no prior training to get a job on a plant floor. Often employers like Klein and Lockheed Martin are willing to provide on-the-job training for low-level positions.

As production floors add more automation and 3-D printing, manufacturing jobs involve more than monotonous **tasks such as putting widgets in boxes, said Dave Malenfant, director of the center for supply chain innovation at Texas Christian University.**

"People will have to be more computer savvy and analytical, and those are the kinds of skill sets that are exciting," Malenfant said.

CNBC

August 17, 2017
CEOS Departure a Moral and Ethical Issue

"This is a seriously lost opportunity," said Mary Uhl-Bien, TCU Neeley School of Business, discussing the departure of corporate leaders from President Trump's business councils on CNBC's "Squawk Box."

Uhl-Bien, the BNSF Endowed Professor of Leadership at TCU's Neeley School of Business, said that CEOs were excited to join the President's business council, but significant policy shifts and pressure from customers, especially through social media, forced them to reflect on their positions on issues such as trade, pollution control, immigration and climate. "We saw it escalate this week with CEOs deciding that they can't be part of an association with this administration," she said.

Uhl-bien said it is a very difficult situation. "The public sentiment is that business leaders have to take a moral stand. This is a different situation for business leaders. They have to be much more agile and adaptive in this changing environment," she said.

Uhl-bien emphasized that the CEOs didn't want to leave the council. "They did not want to do this. They were excited to have a voice at the table. They wanted to represent their constituents. They believed they would influence policy to benefit productivity and jobs. This was a seriously lost opportunity," she said.

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Data Analytics – More Than Just Data - ***By Renee Olvera, Texas Christian University,*** *Fort Worth Chapter of Texas Society of CPAs*

Organizations are collecting data about consumers, businesses, and markets regularly. Every time I ask my Alexa Dot to turn on lights or order paper, data is collected about my power usage and product choices. These data can be used by organizations to provide tailored customer service or products that meet my needs. However, collecting data is only useful if it can be analyzed and transformed into information used by decision-makers.

How are these decision-makers transforming and using data? In accounting, it can be said that “Accounting *is* Big Data” – in fact, the American Accounting Association annually hosts its Accounting is Big Data Conference with a goal of connecting professionals engaged in incorporating data into the decision-making process.

One use of data analytics is to streamline the process of testing internal controls and compliance. For example, internal audit groups can use a full population of employee reimbursement expenses and using pre-determined algorithms in analytics software or regression analyses identify outliers in employee reimbursements or identify commonly used vendors. A company’s external auditors may use data analytics to build efficiencies into their audit planning and testing.

For example, external auditors may be able to examine full populations of their client’s transactions to identify unusual journal entries. Alternatively, external auditors may be able to use analytics to test transaction-based internal controls

When I teach data analytics to accounting students at TCU, we focus on four elements: Asking data driven questions; extracting, transforming and loading data into analytics software; analyzing data using software and statistical tools; and communicating results

What is the problem? Before engaging in data analytics – one needs to understand the problem that needs to be solved. Often this means that we need to consider if the problem should be solved using data analysis or if there are other qualitative aspects that must be considered to get a full picture of the solution. It also requires that we think about segregating business dilemmas into smaller "bite-size" questions.

Data are messy! Before we analyze data, we have to be confident that the analysis will result in a solution that is accurate and complete. Sometimes this means that we need to verify that we have access to all the data and that the data used in the analysis is accurate.

Not every data point necessary for analysis is structured. Some data are in the form of video or audio files. Not all data is complete – often fields of records can be missing or in a format not appropriate for analyzing. Therefore, it is important to provide students with the tools to examine data for completeness and accuracy.

Spinning data – this is the fun part. Examining large data sets for patterns and relationships provides an opportunity to answer those data driven questions.

A variety of software can be used to analyze data – and it does not have to be complex software. Software programs such as Excel, Tableau, IDEA, Qlik, IBM SPSS, and SAS are a few software packages that provide the tools to visualize patterns in data or statistically analyze relationships among data.

Finally, communication is ultimately the most important element of the data analytics puzzle. **I teach my students that if they can't communicate the first three steps to decision-makers, then the analysis is less powerful.**

Renee Olvera, CPA, PhD, is an associate professor of professional practice at Texas Christian University.