

JULIAN ATANASSOV

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Contact Information

Lundquist College of Business
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Research interests

Corporate Finance: Corporate Governance; Capital Structure; International Corporate Finance; Financing of Innovation; Entrepreneurship and Venture Capital Financing

Academic experience

- *Assistant Professor*, Lundquist College of Business, University of Oregon (August 2006 – present) – teaching undergraduate, MBA, and Ph.D. level courses
- *Instructor, Financial Management (FIN 300)*, Ross School of Business, University of Michigan (Fall 2002)
- *Teaching assistant, Corporate Financial Policy (FIN 621)*, Ross School of Business, University of Michigan (Fall 2003, Fall 2004, and Fall 2005)
- *Research Assistant*, Ross School of Business, University of Michigan (2000 – 2006)
- *Lecturer*, Sofia University, Sofia, Bulgaria (October 1998 – August 1999)

Education

- *Ph.D. in Finance*, Stephen M. Ross School of Business, University of Michigan, Ann Arbor, MI (September 2000 – June 2006)
- *M.A. in Economics*, University of Delaware, Newark, DE (September 1999 – August 2000)
- *M.A. (Econ) in International Political Economy*, University of Manchester, Manchester, UK (September 1997 – September 1998)
- *BA, MA in Economics*, Sofia University, Sofia, Bulgaria (October 1992 - July 1997)

Publications

“Labor and Corporate Governance: International Evidence from Restructuring Decisions” (with E. Han Kim, forthcoming, *Journal of Finance*)

Our results highlight the importance of interaction among management, labor, and investors in shaping corporate governance. We find that strong union laws protect not only workers but also underperforming managers. Weak investor protection combined with strong union laws are conducive to worker-management alliances, wherein poorly performing firms sell assets to prevent large scale layoffs, garnering worker support to retain management. Asset sales in weak investor protection countries lead to further deteriorating performance, whereas in strong investor protection countries they improve performance and lead to more layoffs. Strong union laws are less effective in preventing layoffs when financial leverage is high.

Working papers

- **“Stakeholders and Corporate Governance: Implications for Capital Structure, Innovation, and Firm Value”** (job market paper)

How do opportunistic managers balance the interests of shareholders and other stakeholders? Three theoretical views suggest that managers care about non-shareholding stakeholders (1) to enhance their private benefits, or (2) to use stakeholders as allies against powerful shareholders, or (3) to improve stakeholder incentives and thus to increase productivity and firm value. I test these theories by using data on corporate stakeholder-friendly policies, such as giving to charities, helping minorities,

employees, customers, and the environment. I also use a triple difference methodology and an exogenous variation in state legislation: Constituency Laws that enhance the strength of stakeholders, and Business Combination laws that decrease the strength of shareholders. I find that the greatest increase in the number of stakeholder-friendly policies occurs when shareholders are weak and stakeholders are strong. To counter the greater strength of stakeholders, managers increase financial leverage. When shareholders are weak, stronger stakeholders lead managers to overinvest in stakeholder friendly policies that reduce innovation and firm value. When shareholders are strong however, greater stakeholder strength leads to higher firm value. These findings have implications for the theory and purpose of the firm.

- **“Do Hostile Takeovers Stifle Innovation? Evidence from Antitakeover Legislation and Corporate Patenting”** (under review)

I examine how strong corporate governance proxied by the threat of hostile takeovers affects corporate innovation. Two contrasting predictions are derived from the theoretical literature. The agency view predicts that the threat of takeovers forces managers to work hard and create innovative output, rather than shirk and engage in unproductive activities. The asymmetric information and incomplete contracts views predict that the threat of takeovers reduces managerial incentives to pursue innovative projects that are harder to evaluate by the stock market, or could result in expropriation of the innovative output by a hostile acquirer. Using a panel of 10,110 US firms over the 1976-2000 period, patents and patent citations to measure the quantity and quality of innovation, and the enactment of state antitakeover laws as an exogenous decrease in the threat of hostile takeovers, I find stronger support for the agency view. Firms incorporated in states that enact antitakeover laws create less patents and have less citations per patent than firms in states that do not enact these laws. Most of the impact of antitakeover laws on innovation comes two or more years after they are enacted. The negative effect of antitakeover laws is mitigated but not completely eliminated by the presence of alternative governance mechanisms such as large shareholders, pension fund ownership, high financial leverage, and the presence of financial constraints. The results are robust to using different sub-periods and time lags, different types of antitakeover laws, and R&D expenditures to measure the input rather than output of innovation.

- **“Why do venture capitalists invest in environmentally friendly entrepreneurs”** (in progress)

This project investigates the motivation of venture capitalists to invest in environmentally friendly ventures. On the one hand, venture capitalists could be motivated by the possibility of greater profit than otherwise similar projects that are not environmentally friendly because of the possibility of greater demand from environmentally conscious customers, or more favorable attitude to the project from the government and the local community. On the other hand, venture capitalists may invest in such projects to enhance their personal satisfaction and popularity, even though the projects are less profitable than otherwise similar projects. The second explanation suggests an agency problem between investors in the venture capital fund and the fund manager, whose interests don't necessarily coincide with the interests of the investors. Although each of these two explanations can be present at the same time, I investigate which one dominates the motivation of the venture capitalist. I obtain both publicly available and hand-collected data to conduct my tests. To test for the presence of agency problems I create a measure of the governance of the venture capital fund. Since the results can be contaminated by endogeneity problems stemming from the direction of causality between fund performance and investing in environmentally friendly projects, I use an exogenous variation in state-level environmentally friendly regulation, to provide identification for my tests. The results have implications for the theory of entrepreneurship and venture capital financing.

- **“Finance and innovation: The case of publicly traded firms”** (with Vikram Nanda and Amit Seru, under review)

We hypothesize that public firms that create novel innovations rely more on arm's length financing (equity and public debt) than on relationship based bank financing. A primary reason is that banks, unable to evaluate novel technologies, will tend to discourage investing in innovative projects and be more prone to shut down ones that are ongoing. Using a large panel of US companies from 1974-2000, we find that consistent with our predictions, firms that rely more on arm's length financing have a larger number of patents and these patents are more significant in terms of influencing subsequent patents. We confirm our findings by showing a significant increase in innovative activity of firms following a large infusion of arm's length financing and no such pattern after a similar infusion of bank loans. Creating novel innovations leads to a significantly higher firm value and suggests that firms would rationally take into account the potential impact of innovative activity when making their financing choices. Finally, we use an IV approach to ameliorate endogeneity concerns and demonstrate that our findings are driven primarily by innovative firms choosing their financing arrangements.

Invited presentations at academic conferences

- **“Stakeholders and Corporate Governance: Implications for Capital Structure, Innovation, and Firm Value”**
 - Pacific Northwest Finance Conference, University of Washington, Seattle, Nov., 2008
- **“Do Hostile Takeovers Stifle Innovation? Evidence from Antitakeover Legislation and Corporate Patenting”**
 - ASSA annual meetings, San Francisco, January 2009
 - Western Finance Association annual meetings, Hawaii, June 2008
 - European Finance Association annual meetings, Slovenia, August 2007
- **“Finance and innovation: The case of publicly traded firms”**
 - ASSA annual meetings, Chicago, January 2007
 - Pacific Northwest Finance Conference, University of Washington, Seattle, Oct., 2006
 - European Finance Association annual meetings, Switzerland, August 2006

Work in progress

“Corporate hierarchy, innovation, and firm value: Evidence from the centralization of R&D departments” (with Amit Seru)

“Do investors behave in Rome as the Romans? A cross country analysis of investor protection and the voting behavior of US institutional investors” (with E. Han Kim)

“Dividend policies and the power of non-shareholding stakeholders”

“What determines the quality of accounting and disclosure standards around the world? A cross-country study”

Honors and awards

- *Allan Gilmour Fellowship in Finance as an outstanding student in the Finance Department*, Stephen M. Ross School of Business, University of Michigan (January, 2005)
- *Charles H. Gessner Fellowship* for an outstanding student from a developing nation, Stephen M. Ross School of Business, University of Michigan (January, 2005)
- *Two Mitsui Life Grants for research in Emerging Market Countries*, Stephen M. Ross School of Business, University of Michigan (May 2003, October 2004)
- *Two William Davidson Institute (WDI) Travel Grants for research in Emerging Market Countries*, Stephen M. Ross School of Business, University of Michigan (April 2003, April 2005)
- *Mitsui Life Fellowship for the best incoming student in the Finance Department*, Stephen M. Ross School of Business, University of Michigan (2000-2001)

Interests and Hobbies

Global political and economic trends, travel, bridge, chess, soccer, dancing, movies

References

<p>E. Han Kim Fred M. Taylor Professor of Business Administration Stephen M. Ross School of Business University of Michigan 701 Tappan St., Ann Arbor, MI 48109 Phone: 734-764-2282 Email: ehkim@umich.edu</p>	<p>Vikram Nanda Professor of Finance Russell and Nancy McDonough Chair College of Management Georgia Tech University 800 W. Peachtree St. NW, Suite 408 Atlanta, GA 30308 Phone: 404-385-8156 Email: vikram.nanda@mgt.gatech.edu</p>
<p>Charles J. Hadlock Associate Professor Department of Finance The Eli Broad Graduate School of Management Michigan State University 315 Eppley Center East Lansing, MI 48824-1121 Phone: 517-353-9330 Email: hadlock@msu.edu</p>	<p>Wayne Mikkelsen Engemann Professor of Finance Lundquist College of Business University of Oregon Eugene, OR 97403 Phone: 541-346-3390 Email: wmikkels@lcbmail.uoregon.edu</p>