This paper investigates the rationale for issuing complex securities to retail investors.

Professor Pian Shu tackles one of the most difficult questions in the startup world: How can you tell if a new business will succeed?  
   
 Open for comment; 13 Comments posted.

How does the equity market respond to the adoption of mandatory nonfinancial disclosure? Research by George Serafeim and colleagues.

Kris Johnson Ferreira and colleagues develop a machine learning algorithm that changes product prices in order to learn consumer demand and maximize total revenue in the presence of limited inventory.

Following the banking meltdown of 2008, many struggling companies in Spain did what they shouldn’t have: sacrificed their future for short-term gain. Professor Claudia Steinwender calls it the Groucho Marx Criterion.  
   
 Open for comment; 1 Comment posted.

Jeremy C. Stein and Adi Sunderam develop a model of monetary policy in which the observed degree of policy inertia is not optimal from an ex ante perspective, but rather reflects a fundamental time consistency problem.

Dealers who need to price idiosyncratic products--like houses, artwork, and used cars--often struggle with a lack of information about the demand for their specific items. Analyzing sales data from the used-car retail market, the authors of this paper develop a model of dynamic pricing for idiosyncratic products, showing that seller learning has an impact on pricing dynamics through a rich set of mechanisms. Overall, findings suggest a potentially high return to taking a more serious information-based approach to pricing idiosyncratic products.

After a decade of massive growth, China’s stock market began a precipitous summer slide that that hasn't slowed yet. Dante Roscini explains what's deflating markets worldwide.  
   
 Open for comment; 3 Comments posted.

Can early-stage assessment of a startup idea by experienced entrepreneurs and executives predict its future commercial viability? The authors used data on 652 venture ideas across a wide range of industry sectors at Massachusetts Institute of Technology Venture Mentoring Service between 2005 and 2012 and presented three key findings. Overall the researchers suggest that for ventures in R&D-intensive sectors, seeking feedback from a diverse set of experts may be an effective mechanism to reduce some of the uncertainty associated with commercializing new ventures.

What titles made the Harvard Business Faculty short list for summer reading?  
   
 Closed for comment; 0 Comments.

Nikolaos Trichakis discusses the subject of a new Harvard Business School case study: the Italian regional bank Credito Emiliano, which accepts young Parmigiano-Reggiano as collateral, and then ages it in climate-controlled vaults.  
   
 Open for comment; 0 Comments posted.

Looking at specific rulings in the US, France, and Germany, this paper examines the economic effect of major but largely unanticipated changes in the allocation of copyright protection on venture capital (VC) investment in cloud computing companies. Findings suggest that decisions around the allocation of copyright ownership can have significant impacts on investment in innovative enterprises. Indeed strong upstream property rights, combined with transaction costs that limited the ability to enter into licenses, can significantly deter investment in downstream innovations.  
   
 Closed for comment; 0 Comments.

What separates successful mobile money deployments from unsuccessful ones? Research in ten emerging markets shows key similarities in many aspects of the successful deployments, including the regulatory structures set up by their central banks and regulators, their corporate structures, the guiding principles of their business models, and the way in which they went about building their agent networks and driving adoption. Although specific product offerings varied, successful deployments all addressed a major pain point for their target population, were attuned to the local context in terms of demographics, infrastructure, and economics, and were easy for consumers to understand and use.  
   
 Closed for comment; 0 Comments.

This paper is the first to systematically study the extent to which industrial public firms in the US rely on the proceeds of security issues to fund payouts. By simultaneously raising and paying out capital, firms can accomplish a number of objectives, such as jointly managing their capital structure and cash holdings, monitoring managers' investment decisions, engaging in market timing, or increasing earnings-per-share. These results paint a very different picture from the commonly held view that payouts are first and foremost a vehicle to return free cash flow to investors. Key concepts include: A third of aggregate payouts is not funded by internally generated funds but rather is financed in the capital markets via net debt or equity issues. Conversely, a staggering 34 percent of the capital firms raise in the capital markets is paid out by the same firms during the same year. The pervasiveness, economic magnitude, and persistence of financed payouts suggest that the benefits associated with this behavior are more important than it has been recognized by prior work. At the same time, the external financing costs associated with financed payouts may be less important than it is assumed in the literature. Firms' payout and issuance decisions are intrinsically related. Much can be gained by studying them jointly as interdependent elements of the financial ecosystem.  
   
 Closed for comment; 0 Comments.

In a survey of 79 private equity firms managing more than $750 billion in capital, the authors provide granular information on PE managers' practices in determining capital structure, valuing transactions, sourcing deals, governance, and operational engineering. Among the findings, very few investors use DCF or net present value techniques to evaluate investments, relying instead on internal rates of return and multiples of invested capital. This result conflicts with the focus on net present value in most business school finance courses.  
   
 Closed for comment; 0 Comments.

In their course Stock Pitching, Lauren Cohen and Christopher Malloy teach students everything from how to pick stocks using their own insights to pitching them to investment colleagues.  
   
 Open for comment; 2 Comments posted.

Materiality—a concept at the core of financial, sustainability, and integrated reporting—means the "reportability" of economic, environmental, social, and governance (risk) issues. Using the lens of materiality, the authors of this paper examine principles underlying the methodologies and business models of credit reporting agencies (CRAs), finding that CRAs have potential governance shortcomings that need to be addressed by the boards of the CRAs themselves. The governance remedies recommended here aim to restore credit rating institutions to their historic role in the proper functioning of the global capital markets.  
   
 Closed for comment; 0 Comments.

Most families are loath to sell the legacy business, but there are good reasons to do so, says John A. Davis. The key is making the right family preparations and proper wealth planning.  
   
 Open for comment; 5 Comments posted.

A central policy question is how to set capital requirements for banks. The author develops a model to study the effects of capital requirements on the economy and to determine the optimal level. Increasing the requirement to 14 percent from the current status quo leads to a reduction in bank debt, an increase in bank lending, and a reduction in the volatility of bank income. Indeed, policy makers and regulators have been seriously considering raising the capital requirement to 11.5 percent and thus closer to the optimal requirement implied by the quantitative model in this paper.  
   
 Closed for comment; 0 Comments.

The relatively new class of corporate investments known as sustainability investments has attracted the attention of firms, institutional investors, academics, and societal advocacy groups. This paper examines in depth how such investments enhance value for shareholders. Results overall show that investments in material sustainability issues can be value-enhancing for shareholders while investments in immaterial sustainability issues have little positive or negative, if any, value implications.  
   
 Closed for comment; 0 Comments.