Application to the Doctoral Training Workshop on Economics of Executive Compensation

- **Application Name:** Qianfan Wu
- **Affiliation:** Third-year Finance Ph.D. Candidate at Kelley School of Business, Indiana University
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- **Faculty Member Supplying Letter of Recommendation:** Professor Jun Yang at Kelley School of Business

Motivation Statement

My first experience with deep thinking on executive compensation began during the negotiation of my first job's salary with the firm CEO who hired me, prior to starting my Ph.D. The CEO mentioned that he only paid himself half of the salary of an average employee in the firm, which made him skeptical of any wage negotiation requests from new employees like me. After I took the job, I started to wonder why the CEO paid himself so much lower compared to other firms, where the CEO's pay is hundreds of times more than that of an average employee. Perhaps he compensated himself with additional bonuses or equities, or maybe he believed that the money could be better used elsewhere, such as corporate investments or hiring additional talent. I began to research this topic and found that the variation in CEO compensation is substantial, and the public and academia still do not have a consensus on whether CEO pay levels are justified.

After I started my finance Ph.D. at Kelley School of Business, I gained extensive understanding on executive compensation in a critical and structural way. I discovered that executive pay design not only reflects fairness in the workplace, but also has real consequences such as fluctuations in innovation and firm investments. I immediately delved into empirical research in this area, co-authoring with experts Professor Jun Yang and Professor Messod Daniel Beneish on a project related to CEO pay and independent directors' stock trading. Our empirical findings revealed that CEO compensation is about 10% higher when independent directors sell the firm's stock abnormally along with the CEO, indicating an overlooked aspect that weakens corporate governance. During this process, I acquired a comprehensive understanding of the executive compensation literature and became familiar with datasets like BoardEx, Thomason Reuters, and ISS. More importantly, I learned how to conduct empirical research, including formulating a research question, conducting analysis, critically thinking about alternative explanations, and presenting results effectively to the audience.

Through the three years conducting research at Kelley, I convinced myself to focus on executive compensation and contract theory as my research agenda. I want to develop my job market paper in this area. Specifically, I wish to explore the intersection between SEC's compensation disclosure policies[1] and the CEO's labor market and, thereby, the real consequences to firms and the economy. To achieve this, I intend to use modern techniques like structural models and demand estimation to better understand the effects of policy changes related to CEO compensation.

I believe the NBER's executive compensative workshop could be extremely beneficial to strength my understanding in this area. I look forward to meeting the organizers, Professor Jenter and Professor Shue, as well as the keynote speaker, Professor Murphy. I have spent so much time and enjoyed reading their papers, replicating their models, and thinking about how they came up with these wonderful research questions. I have always wished to speak with them and pick up their minds about this area's unanswered questions and advice to junior researchers. Besides, the workshop would be a unique experience for me to sharpen my technical skills, learn from my peers, and receive feedback.

I am confident that my extensive research on executive compensation and motivation makes me an ideal candidate for the workshop. Thank you for your consideration.

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[1] For Example, the SEC's new policy on disclosing the relationship between the CEO's actual pay and the firm's financial performance was adopted on August 25th, 2022.

Qianfan Wu

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EDUCATION

Ph.D. Finance, Kelley School of Business at Indiana University, 2021 - Expected 2026

M.B. Kelley School of Business at Indiana University, 2021 - 2023

M.S. Mathematical Finance, Questrom School of Business at Boston University, 2016 - 2018

B.A. Economics, Dongbei University of Finance and Economics, 2012 - 2015

Visiting undergraduate student at Northern Illinois University, 2015 - 2016

PH.D. CLASSES TAKEN

Theoretical Corporate Finance, Empirical Corporate Finance, Asset Pricing Theory, Empirical Asset Pricing, Game Theory and Financial Institutions, Special Topic in Innovation Entrepreneurship and Household, Microeconomics Theory, Macroeconomics Theory, Econometrics I/II, Special Topic in SME Finance, Data Analytics for Research

RESEARCH INTEREST

Corporate Finance, Innovation, Household Finance

RESEARCH

Published Articles

1 Order Book Queue Hawkes-Markovian Modeling, 2023, Forthcoming at *SIAM Journal of Financial Mathematics* (with S. Yang, and P. Protter)

2 Innovation α: What Do IP-Intensive Stock Price Indexes Tell Us about Innovation?, 2020, *AEA Papers and Proceedings*, (with C. Corrado and D. Martin)

3 Deep Learning Methods for Predicting Disease Status Using Genomic Data, 2018, *Journal of biometrics and biostatistics* (with A. Boueiz, A. Bozkurt, A. Masoomi, A. Wang, D. DeMeo, S. Weiss, and W. Qiu)

Working in Progress

1 Collusive Trading and Corporate Governance, (with J. Yang, M. Beneish, and C. Marshall)

2 Intergenerational Effects of Personal Bankruptcy, (with Ankit Kalda)

3 Parental Love in Debt: How Children's Student Loan Affect Parental Labor Outcomes, (with Ankit Kalda)

PROFESSIONAL EMPLOYMENT

2018-2021	Quantitative Trading Engineer, M·CAM International, Charlottesville, Virginia.
2018	Quantitative Research Intern, Algo Depth LLC, Cambridge, Massachusetts.
2017	Data Science Intern, Brigham and Women's Hospital, Boston, Massachusetts.
2014	Financial Research Intern, Zhongrong International Trust Company, Beijing, China.

HONORS AND REWARDS

1 Dean's Fellowship, Kelley School of Business at Indiana University, 2021.

2 China Scholarship Council Outstanding Undergraduate Student Fellowship ($21,000), 2015.

SKILLS

Programming: R, Python, Stata, SAS, LaTeX

Updated March 2024

KELLEY SCHOOL OF BUSINESS
INDIANA UNIVERSITY

March 4, 2024

Dear Kelly and Dirk,

I am writing to enthusiastically recommend Qianfan Wu for *the Doctoral Training Workshop on the Economics of Executive Compensation*.

Qianfan is a third-year finance Ph.D. student. I have been working closely with him for the past two years and know him really well. Qianfan was my research assistant during his first year at Kelley. He immediately showcased his profound interest in executive compensation and corporate governance. Qianfan's intense intellectual curiosity and exceptional analytical skills became evident as we embarked on a research project, coauthored Daniel Beneish from the Accounting Department. This project aims to unravel the ties between independent directors' abnormal stock trading and CEO compensation/dismissal outcomes.

In our collaboration, Qianfan has been instrumental in developing hypotheses, extracting data, and conducting empirical analysis. His contributions, particularly in sourcing and synthesizing new data on CEO and director vesting structures, have been invaluable. Qianfan's leadership in identifying potential data sources, amalgamating them, and ensuring their validity through programmed automation has solidified the project's identification strategy. His attention to detail and diligent work ethic have been crucial to this endeavor.

Beyond our collaboration, Qianfan has maintained an outstanding academic record, exemplified by his successful completion of the qualification exam and second-year paper requirements for candidacy. He boasts a high GPA of 3.89 and has demonstrated good

performance in several Ph.D.-level courses, including theoretical corporate finance, empirical corporate finance, labor economics, econometrics, asset pricing theory, and empirical asset pricing.

Qianfan has expressed a strong interest in focusing on executive compensation research and exploring ideas on this topic for his job market paper. I am confident that his participation in the NBER workshop will deepen his understanding of the research area and enhance his ability to formulate critical research questions.

In summary, I wholeheartedly support Qianfan Wu's application to the NBER's Doctoral Training Workshop on the Economics of Executive Compensation. Should you require any additional information, please do not hesitate to contact me via email at jy4@indiana.edu. Thank you for your consideration!

Yours Sincerely,



Jun Yang
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