Ray Rui Gao

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Simon Business School
University of Rochester

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March 2, 2024

Organizers
NBER Doctoral Training Workshop on Economics of Executive Compensation

Dear Organizers,

I am writing to apply for the *NBER Doctoral Training Workshop on Economics of Executive Compensation*. Please kindly find (1) my CV and (2) the statement on my motivation to attend the workshop and my research interests in the attachment.

To briefly introduce myself, I am a doctoral candidate in Accounting at the University of Rochester. Executive compensation and, broadly, corporate governance, is one of my research interests and I have several works in this field. For example, my recent paper, co-authored with my classmate, develops network-based managerial labor market classifications and competition measures. We then apply them to test several labor theories concerning how labor market shapes compensation practices and managerial incentives. By attending this workshop, I look forward to gaining insights from leading scholars and engaging in discussions that could deepen my understanding of this field and eventually inspire new research projects.

Lastly, for my letter of recommendation, my advisor, Joanna Wu, Professor of Accounting at Simon Business School, will be providing it. Her email address is joanna.wu@simon.rochester.edu.

Thank you so much for your consideration. I look forward to hearing from you.

Sincerely,
Ray Gao

February 2024

Ray Rui Gao

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EDUCATION

University of Rochester, Simon Business School
Ph.D., Accounting — Expected 2025
On bereavement leave from 2022-2023
M.S., Business Administration — 2019

Hong Kong University of Science and Technology (HKUST)
M.S., Accounting — 2015

Xi'an Jiaotong University
B.S., Business Administration — 2014

RESEARCH EXPERIENCE

Research interests: Executive compensation and managerial labor market, corporate governance, real effects of disclosure, the feedback effects of financial markets, the economics of information

Working papers:

1. Aggregated compensation peer group disclosure and managerial labor market competition: A network analysis (student coauthor work; with Yifei Lu, University of Illinois Urbana-Champaign)

- Under the 2nd round review at the *Journal of Accounting and Research*
- USC Marshall School of Business Trefftzs Award for the Best Student Paper, WFA 2023; Brattle Group PhD Candidate Awards for Outstanding Research, WFA 2023
- Presented at 2023 WFA conference, 2022 FARS Midyear Meeting, 2022 HARC conference, and the University of Rochester
- Abstract: We apply network methods to aggregated compensation benchmarking peer group disclosure and develop managerial labor market classifications and competition measures. We show that our classifications strongly predict talent flow destinations and outperform a comprehensive set of predictors in the literature. Subsequent tests demonstrate the strength of our methodology in capturing the multidimensional and dynamic features of the managerial labor market. We also validate our competition measures by showing that they are associated with retention tools such as higher equity pay and longer pay duration. Finally, we apply our measures to test three theoretical predictions. First, we find that labor market competition could explain controversial pay practices. Second, we demonstrate that the labor market provides managers with tournament incentives to deliver superior future performance. Third, we show that the importance of firm-specific human capital varies across top management positions.

2. News from afar: The information role of nonlocal investors in guiding investment decisions (student coauthor work; with Xixi Xiao, University of Rochester)

- Revising for the 2nd round review at the *Review of Financial Studies*
- Presented at 2023 AFA Annual Meeting, 2023 FARS Midyear Meeting, 2022 AAA Annual Meeting, 2022 Accounting Theory Summer School at Duke University, and the University of Rochester
- Abstract: This study examines how nonlocal investors facilitate managers' decision-making via stock prices (managerial learning). Due to geographical proximity to their immediate surroundings, nonlocal investors have useful information unknown to remote managers, potentially contributing more to managerial learning. In the general investment setting, we predict and find higher investment-q sensitivity when investors are more distant from firm headquarters. We further show that this relation is driven by remote investors in investment-relevant states. In the M&A setting, we find that the probability of deal completion is more sensitive to market reactions to deal announcements when the acquirer's investors are farther from the acquirer (i.e., managers) but closer to the target (i.e., the impending investment). Finally, we address the endogeneity concern by exploiting two exogenous shocks that affect the relative information advantage of nonlocal investors over managers to establish causality. Collectively, our evidence suggests that managers learn from the information impounded by nonlocal investors when making investment decisions. The paper broadly speaks to the unique information role played by nonlocal investors in enhancing revelatory price efficiency.

3. The real effects of public sector disclosure on the private sector: Evidence from open government initiative (sole author)

- Presented at the University of Rochester and 2021 AAA/Deloitte Doctoral Consortium

4. What do managers learn from the market? Evidence from new product announcements (student coauthor work; with Xixi Xiao, University of Rochester)

- Presented at the University of Rochester and 2022 AAA/Deloitte Doctoral Consortium and the University of Rochester

Selected work in progress:

5. Does format matter: In-person versus virtual shareholder meetings and corporate governance (with Michael Guo, Fordham University)

- Research question: Does the format of shareholder meetings matter for corporate governance? Compared to in-person, virtual shareholder meetings are more and equally accessible to all investors, but may limit investors' participation in corporate matters discussions because managers can cherry pick questions from investors to avoid addressing critical issues.

6. The effect of CEO-employee political view misalignment on productivity (with Xingyu Shen, University of Rochester)

- Research question: Does the political view misalignment between CEOs and employees lower firm productivity?

7. To learn or to collude: The motive and consequences of private information sharing among competitors (sole author)

- Research question: What are the motives for firms to share sales information with their competitors? To overcome market uncertainty and better understand the market demand when making investment decisions, or to take collusive actions with competitors? What are the consequences of information sharing on investment decisions?

CONFERENCES PRESENTATION AND PARTICIPATION

2023: Western Finance Association (WFA) Conference [P], American Finance Association (AFA) Annual Meeting [C], Financial Accounting and Reporting Section (FARS) Midyear Meeting [C]

2022: American Accounting Association (AAA) Annual Meeting [P], FARS Midyear Meeting [P], Hawaii Accounting Research Conference (HARC) [D, C]

2021: *Journal of Accounting and Economics* Conference, AAA Annual Meeting, AAA/Deloitte Foundation/ J. Michael Cook Doctoral Consortium [P], FARS Midyear Meeting

2020 and earlier: *Journal of Accounting and Economics* Conference (2020, 2018), AAA Annual Meeting (2020), FARS Midyear Meeting (2020), FARS Midyear Doctoral Consortium (2020), Duke University Accounting Theory Summer School (2019), MIT Asia Conference in Accounting Doctoral Consortium (2018)

(Presenter: [P]; Discussant: [D]; Co-author presentation: [C])

ACADEMIC SERVICES

Ad hoc reviewer for: AAA Annual Meeting (×3, 2022), Hawaii Accounting Research Conference (×5, 2018-2021), MIT Asia Conference in Accounting (×1, 2019)

Conference discussant for:

- HARC conference 2022: "CEO compensation contract homogeneity among industry peers" by Yuan Ji, Danya Mi, and Yanfeng Xue

HONORS AND AWARDS

USC Marshall School of Business Trefftzs Award for the Best Student Paper, WFA	2023
Brattle Group PhD Candidate Award for Outstanding Research, WFA	2023
FARS Excellence in Reviewing Award, AAA	2022
Deloitte Foundation/AAA/J. Michael Cook Doctoral Consortium Fellow	2021
FARS Doctoral Consortium Fellow	2020
Simon Business School Fellowship, University of Rochester	2016-2020
Outstanding Student Leader, Xi'an Jiaotong University	2012
Excellent Academic Scholarships, Xi'an Jiaotong University	2010-2014

RESEARCH ASSISTANT EXPERIENCE

Professor Jason Xiao

- "Earnings per share targets and CEO incentives", *Review of Accounting Studies* (2023)

Professor Bryce Schonberger

- "Creating visibility: Voluntary disclosure by private firms pursuing an Initial Public Offering", *Review of Accounting Studies* (2023)

Professor Sudarshan Jayaraman and Joanna Wu

- "Is silence golden? Real effects of mandatory disclosure", *Review of Financial Studies* (2019)

Professor Charles Wasley

- "Commemorating the 50-year anniversary of Ball and Brown (1968): The evolution of capital market research over the past 50 years", *Journal of Accounting Research* (2019)

TEACHING EXPERIENCE

Teaching interests: Financial accounting, managerial accounting, financial statement analysis, data analytics

University of Rochester

Lab Instructor

Positive Accounting Research Concepts and Empirical Analysis Tools Lab (MS) Spring 2021

- Instructor rating: 4.91/5

Teaching Assistant

Positive Accounting Research Concepts and Empirical Analysis Tools (MS) 2021

- Professor Jayaraman Sudarshan

Financial Statement Analysis with Data Analytics (MBA, MS) 2018-2019

- Professor Charles Wasley

Corporate Financial Accounting (MBA, MS) 2018-2019

- Professor Jason Xiao

Managerial Economics (MBA) 2019

- Professor Heikki Rantakari

Financial Reporting (MS) 2017

- Professor Bryce Schonberger

Hong Kong University of Science and Technology (HKUST)

Teaching Assistant

Financial Statement Analysis, Fundamental and Quantitative Equity Analysis Using Accounting Information (MBA, MS) 2016

Corporate Financial Reporting, Managerial Accounting, Taxation (MS) 2015

WORKING EXPERIENCE

Hong Kong University of Science and Technology Hong Kong
Teaching and Research Assistant, Accounting Department 2015-2016

Bank of Communications Beijing
Client Manager Assistant Intern, Mortgage/Personal Loan Department 2013

SKILLS, INTERESTS, AND MISCELLANEOUS

Programming skills: Stata, SAS, R, Python
Professional membership: American Accounting Association (AAA), American Finance Association (AFA), ACCA student membership (inactive, passed F1-F9 and P1)
Languages: English (fluent), Chinese (native), Cantonese (conversational)
Extracurriculum activities:

- Treasurer of the HKUST Master of Science in Accounting class committee, 2014-2015
- Director of the Secretary Department at Xi'an Jiaotong University Student Union, 2011-2012

Hobbies: Biking, hiking, swimming, cooking

COMPLETED PHD COURSES

Accounting:

- Accounting research seminar series (I, II, and III)
- Contemporary accounting research

Finance:

- Theory of finance
- Agency theory
- Empirical asset pricing
- Empirical corporate finance

Economics:

- Price theory
- Game theory
- Industrial organization theory
- Causal inference
- Statistics and econometrics (I and II)
- Maximum likelihood estimation
- Applied economics workshop

Statement of purpose and research interests for NBER Doctoral Training Workshop on the Economics of Executive Compensation

Ray Gao, University of Rochester

I am writing to express my keen interest in participating in the Doctoral Training Workshop on the Economics of Executive Compensation hosted by NBER. As a doctoral candidate in accounting deeply interested in executive compensation, corporate governance, and labor economics, I find this workshop an unparalleled opportunity to advance my understanding and contribute to the field.

My primary motivation for attending this workshop is twofold. Firstly, I aim to expand my knowledge base on executive compensation and its related theories. The topics covered in the workshop, such as the labor market for executives and the determinants and consequences of executive compensation are directly aligned with my research interests. Absorbing insights from lectures taught by leading scholars and engaging in discussions with fellow participants about the latest frontier of research questions would significantly enhance my understanding of this literature.

Secondly, the interdisciplinary nature of this workshop presents a unique platform for me, as an accounting researcher, to engage with fellow researchers from the finance and economics fields. Through discussions, I aspire to generate new ideas and explore potential collaborative research opportunities. This aligns with my belief in the importance of interdisciplinary approaches to tackling complex issues in executive compensation.

Turning to my research interests, my interest in executive compensation stems from its pivotal role in talent attraction, incentivization, and retention, which are crucial aspects of corporate governance. I have engaged in several projects that underscore my commitment to these topics. For instance, in one project, my coauthor and I apply network methods to compensation benchmarking peer groups to develop managerial labor market classifications and competition measures. We then apply these new empirical measures to test several labor theories on how the managerial labor market shapes managerial incentives and pay practices.

In another project, we explore the impact of trade secrets protection on executive compensation. Our results highlighted the nuanced responses of firms to changes in trade secrets leakage risk, particularly in the adjustment of CEOs and CTOs compensations (but not CFOs), underscoring the premium placed on safeguarding trade secrets.

Looking ahead, I am intrigued by the economics of compensation disclosure regulations given the SEC's prolonged interest in promoting compensation transparency. For example, are more disclosures about compensation necessarily better? Extensive narratives on compensation practices in proxy statements might lead to substantial information processing burdens for investors, thereby complicating their decision-making processes. Additionally, I am drawn to the thought-provoking survey findings in Edmans, Gosling, and Jenter (2023 JFE), especially the pay fairness concerns and the disparities between directors and investors regarding CEO pay.

In conclusion, participating in the Workshop on Executive Compensation would be a precious learning opportunity in my academic journey. I am confident that the insights gained and the connections forged during this workshop will profoundly impact my research in this field. I look forward to contributing to the discussions on executive compensation and benefiting from the collective and interdisciplinary expertise present at the workshop.

Joanna Wu
Susanna and Evans Y. Lam
Professor of Business Administration

Phone: (585) 275-5468
Email: joanna.wu@simon.rochester.edu

UNIVERSITY of ROCHESTER | SIMON BUSINESS SCHOOL

March 6, 2024

Re: Ray Gao

Brett Maranjian
NBER

Dear Mr. Maranjian:

I am writing to support Ray Gao's application to attend the Doctoral Training Workshop on Economics of Executive Compensation hosted by NBER. Ray is a doctoral student at the Simon Business School, University of Rochester. He is expected to be on the job market next year.

Ray has already generated a rather impressive research pipeline that centers around executive compensation. I feel he will be a very good fit for the Workshop, both in terms of benefiting from it and contributing meaningfully to discussions at the Workshop.

Ray has a working paper with a fellow PhD student on "*Aggregated Compensation Peer Group Disclosure and Managerial Labor Market Competition: A Network Analysis.*" The paper is current under 2nd round review at the *Journal of Accounting Research*, a top academic journal in accounting. They apply network methods to compensation peer disclosures to construct a labor market competition measure that is both flexible and dynamic. They show that the measure can help explain some enduring "puzzles" in the literature, such as pay for luck. As this project illustrates, Ray is a self-starter. He is proactive in exploring new research ideas and areas, and he possesses the motivation and skills to see a project through. In addition, Ray has a research project on executive compensation and trade secret protection. His second-year paper was on relative performance evaluation and CEO outside opportunities.

In summary, I believe Ray is a great fit for the Workshop. He has my strong recommendation without reservations.

If you have any questions, please feel free to contact me.

Thank you!
Sincerely,



Joanna Wu