Summary

Name: Menghan Wang

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Address: Room 154, Carroll School of Management, Boston College, Massachusetts; or
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School: University of Hong Kong

Area of interest: Innovation and entrepreneurship, Human capital, ESG, Big data and LLM

Year of entry to the PhD program: 2020

Expected year of completion: 2026

Name of a faculty member supplying a letter of recommendation: Roni Michaely

Menghan WANG

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EDUCATION & VISITING

University of Hong Kong, Hong Kong — 2020.09 – present
PhD candidate in Finance

Boston College, United States — 2025.01 – 2025.06
Visiting PhD student

Xi'an Jiaotong University, China — 2014.09 – 2020.06
Bachelor of Management in Accounting (ACCA), Minor in Finance
Special Class for the Gifted Young

ESSEC Business School, France — 2018.09 – 2018.12
Exchange student in Global BBA

JOB MARKET PAPER

Learning from Failure: The Role of Disclosure on Innovation (Solo-authored)

Presented at: CES North American Conference (2025, scheduled), EFM Doctoral Seminar (2025, scheduled), AFA PhD Student Poster Session (2025), HKU Summer Finance Conference PhD Consortium (2024)

Abstract: This paper examines how the disclosure of failure shapes innovation activities. Theoretically, mandatory failure disclosure can be socially beneficial through knowledge spillover, but privately costly due to the risk of information leakage. I study this question in the setting of clinical research, as it is one of the few areas where failure information is available. I exploit an expansion of mandatory disclosure requirements for clinical trial results as a positive shock to the availability of failure information. The number of new trials initiated increased following the policy change. The increase is driven by incremental innovations on existing drugs rather than developments of new drugs. Consistent with the knowledge spillover channel, trial sponsors benefit more in medical fields where they had less internal expertise prior to the policy change. Despite the proprietary costs for disclosing entities, my results support more mandatory failure disclosure, as the social benefits outweigh the costs.

SELECTED WORKING PAPERS

1. **Implicit versus Explicit Contracting in Executive Compensation for Environmental and Social Performance**

Co-authored with Roni Michaely (HKU) and Thomas Schmid (HKU)

Presented at: ESCP Business School, IESE Business School, Bocconi University, University of Cyprus, Copenhagen Business School, Hong Kong Polytechnic University, University of Hong Kong, Tel Aviv University, Geneva Finance Research Institute, University of Zurich, National Taiwan University, Fudan University, Korean University Business School, ESCP Business School, Georgetown University, Arizona State University, University of Toronto, University of Arizona, Rice University, and City University of Hong Kong

Brief: Using hand-collected data on the precise structure of environmental and social targets in executive compensation ("ES Pay") of U.S. firms from 2006 to 2021, we explore the optimal contracting structure for linking those targets to compensation. Consistent with contract theory, companies with explicit contracting demonstrate better ES performance for targets that can be precisely measured, while implicit contracting is ineffective for those targets. However, implicit contracting is effective and outperforms explicit contracting for targets with less precise performance targets. We find that explicit environmental targets, while still uncommon, can reduce emissions, with little sacrifice in financial performance or pay inflation.

2. **How green is green? Anatomy of ESG funds' selection**
Co-authored with Dunhong Jin (HKU) and Roni Michaely (HKU)
Presented at: HKU Summer Finance Conference (2024), HKU Inaugural ESG Conference (2023)

Brief: We systematically anatomize ESG funds' selection by comparing ESG funds' holdings to an appropriate risk-adjusted "optimal portfolio". We show that ESG funds select portfolios with a significant 36% less absolute emission; primarily through avoidance of top-25 emitting companies and polluting industries. However, the economic difference in ESG scores, board diversity, and ESG incidents is minimal (though statistically significant). As ESG funds, particularly large-cap blend types, tend to retain the primary components of the benchmark in their portfolios, there is little compromise in return and risk profiles.

3. **ESG Incidents and Firms' Response on Social Media**
Co-authored with Chu (Ivy) Dang and Roni Michaely (HKU)
Presented at: ISMS Marketing Science Conference (2024), HKU Enterprise Sustainability Conference (2024, scheduled)

Brief: We examine whether, when and how firms respond to negative ESG incidents on social media. We find that firms did not tweet more, but their tweets received more user engagements in the days following the incidents. The effect is more pronounced among E incidents, firms in customer-oriented industries, those active on Twitter, those more exposed to climate change risk, and during the period when ESG attracts greater attention. Furthermore, textual analysis of tweet contents reveals diverse response strategies employed by firms. The findings highlight the importance of tailored public relations and brand management strategies in effectively handling ESG incidents.

TEACHING

Master Level:
Money, Financial Institutions and Markets (2022, 2024 Spring), TA for Prof. Xuewen Liu
Advanced International Finance (2022 Fall), TA for Prof. Yan XU
PhD Level:
Selected Topics in Financial Research (2023 Fall), TA for Prof. Roni Michaely
MBA Level:
Renewable Energy Finance (2024 Spring), TA for Prof. Thomas Schmid

HONOR AND AWARDS

Postgraduation Scholarship, HKU, 2020-2024
PhD Entrance Scholarship, HKU, 2020
Bao-Gang Award (top 0.1%), China, 2019
China National Scholarship (top 0.1%), China, 2017

CERTIFICATES

ACCA Affiliate
CFA (Level II passed)
CICPA (Professional level passed)

SKILLS

Software: Python, Stata, SQL, Latex
Languages: English (fluent), Mandarin (native)

Essay

My research explores a crucial yet understudied aspect of innovation: what can we learn from failure? While failure is an inherent part of the research and innovation process, its true value—especially the lessons we can learn from others failures—remains largely hidden. The existing evidence is scarce for two main reasons. First, individuals are reluctant to disclose their failures due to fear of copycats and reputation loss. Second, even when failures are observable, the decisions of voluntary disclosure are not exogenous. My job market paper addresses these challenges by examining how knowledge of past failures shapes future innovation in the context of clinical research—a unique setting where failure is observable and, in some cases, mandatory.

I investigate this question using a quasi-natural experiment, the Final Rule of FDAAA 801, which expanded the disclosure requirements of detailed clinical trial results. Prior to the policy change, only applicable trials of drug or product that have been approved by the FDA are required to submit their results. Effective as of January 18, 2017, the Final Rule mandated all applicable clinical trials to disclose their results, regardless of whether the drug or product was approved. My findings reveal that increased failure disclosure leads to an 11.5% rise in new trial initiations. It is primarily driven by incremental innovations on existing drugs rather than developments of new drugs. Consistent with the knowledge spillover channel, trial sponsors benefit more in medical fields where they had less internal expertise prior to the policy change. However, I also shed light on the proprietary costs of disclosure, such as the loss of competitive advantages for disclosing entities, which underscores the complex trade-offs at play.

Building on current findings, I am excited to explore how failure disclosure influences entrepreneurial decisions and venture capital (VC) investments. One key challenge of funding drug trials is to evaluate the probability of success. Can greater transparency of failed trials help startups and VCs to assess risk and return more accurately, leading to more efficient fund allocation? If failure disclosure generate knowledge spillover that benefits laggard firms more, can it level the playing field and attract more entrepreneurs to enter?

I am eager to participate in the NBER Entrepreneurship Boot Camp to deepen my understanding of entrepreneurship research and explore connections to my current work. I hope to engage with distinguished scholars in the field, connect with fellow PhD students who share similar research interests, and actively contribute to the discussions throughout the boot camp. More broadly, I find the role of information asymmetry in entrepreneurial financing and the intersection of innovation and entrepreneurship to be fascinating areas that worthy more exploration. I truly hope to contribute to this line of research.

Roni Michaely
Assoicate Dean (Global Engagment)
Zhang Yonghong Professor of Finance and Entrepreneurship
The University of Hong Kong
Executive Director, HKU-TLV Innovation Hub
Co-Director, HKU-HKJC ESG Research Institute

February 13, 2025

Dear Committee Members,

I'd like to recommend Menghan Wang, my PhD student at the University of Hong Kong, for the NBER Entrepreneurship Research Boot Camp. Menghan is genuinely interested in entrepreneurial and innovation-related fields and has demonstrated her ability to raise and solve research questions with creativity and rigor (e.g., in her JMP). This boot camp is an ideal opportunity for her to further develop her research agenda and connect with scholars who share similar interests. I am confident that she will contribute meaningfully to the Boot Camp and benefit greatly from the opportunity to engage with leading scholars and peer students in the field.

Menghan has demonstrated independence and creativity in her own research. Her solo-work, which will be further develop into her job market paper by next year, explores what we can learn from failure, specifically how the disclosure of past failed innovations affects future innovations. She provides very interesting evidence that mandatory failure disclosure leads to an increase in innovation attempts, mainly through the knowledge spillover channel. Existing empirical evidence on failure disclosure remains scarce because failure often stay hidden, and voluntary failure disclosure is subject to endogeneity concerns. To overcome these challenges, she studies this question in the context of clinical research, using a regulatory change in clinical trial disclosure as a positive shock to failure disclosure.

This work connects to the entrepreneurial process of learning from failure and iterating on ideas. While much of the existing literature focuses on entrepreneurs' personal failures or career trajectories, she is thinking about follow-on projects that explore how failure disclosure affects VC investments and entrepreneurial decisions. Throughout this project, Menghan has actively sought feedback from faculty and peers, took advantage of every presentation opportunity, and incorporated constructive comments into revised version.

I have been working closely with Menghan on several research projects over the past three years. In a co-authored project with Thomas Schmid on environmental and social targets in executive compensation (ES Pay), she has demonstrated strong empirical analysis skills and worked with us collectively to alleviate potential endogeneity concerns. A key challenge in this

project is data collection. We need detailed information on the contractual structure of ES Pay to study optimal contracting. She quickly mastered new methodologies, such as NLP and ML techniques, and applied them to extract and analyse textual data. She also show diligence and patience in guiding RAs to manually collect data on ES targets. These skills are highly transferable to entrepreneurship research, as data on startups and private firms often demands greater effort compared to public firms.

In summary, Menghan is extremely bright, a faster learner, a collaborative team player, and a highly motivated researcher. She is as good as my very best PhD students from Cornell over the last 30 years. I give her my full support for the NBER Entrepreneurship Research Boot Camp. Please do not hesitate to contact me if you require any additional information.

Sincerely,

Roni Michaely