Kieu-Trang Nguyen
PhD candidate in Economics
Center for Economic Performance
London School of Economics and Political Science
42 Houghton Street, London WC2A 2AE, UK
Email: nguyenk@lse.ac.uk
Reference: Professor John Van Reenen (j.vanreenen@lse.ac.uk)

March 30, 2016

To Whom It May Concern

I am writing to confirm my strong interest in applying for the 9th Entrepreneurship Research Boot Camp this coming July, 2016. I am currently a fourth year PhD student in Economics at the London School of Economics whose research questions focus on the internal functioning of the firm.

In particular, my ongoing projects aim to shed light on the role of corporate culture with respect to corporate operations, decisions, and performance. In one project, I want to understand the match between members of corporate boards of directors and firms along the dimension of corporate culture. In another one, I want to explore whether a firm needs to change its culture when it steers its strategy in a completely different direction (as a response to changes in external business environment). These questions are built upon my existing research on related topics, including works on the direct and spillover effects of policies on firms' innovation and productivity, and works on the personal impacts of corporate directors on firms' performance. My strong interest in understanding the functioning of the firms also stems from my pre-PhD experience as a management consultant working closely with client firms of various sizes and ages.

I believe my research interest strongly overlaps with the research agenda of the Entrepreneurship Working Group, and much look forward to having the opportunity to interact with and learn from the leading researchers in the field during the Entrepreneurship Research Boot Camp.

Enclosed with this letter is my curriculum vitae (with a list of all completed PhD courses) and an essay detailing my ongoing projects and existing working papers as mentioned earlier in this letter. In addition, my letter of recommendation will be sent directly to you from my PhD advisor, Professor John Van Reenen.

Please do not hesitate to contact me at nguyenk@lse.ac.uk if you have any questions. Thank you very much for your time and consideration.

Sincerely,

Kieu-Trang Nguyen

Kieu-Trang NGUYEN

Personal Information: Year of Birth: 1987 Gender: Female Nationality: Vietnamese

Education:

London School of Economics and Political Science, London, UK: PhD candidate, 2014-present
London School of Economics and Political Science, London, UK: MRes (with distinction), 2014
Grinnell College, Grinnell, Iowa, USA: B.A. Economics and Mathematics with Honors, *Phi Beta Kappa*, 2008

PhD courses:

First year: Microeconomics (completed), Macroeconomics (completed), Econometrics (completed)
Second year: Labor Economics (completed), Corporate Finance (completed), Microeconomic Theory (audited)

Working Papers:

"Do tax incentives for research increase firm innovation? An RD Design for R&D" (with Antoine Dechezleprêtre, LSE, Elias Einiö, VATT, Ralf Martin, Imperial College, and John Van Reenen, LSE), March 2016.

"One Mandarin Benefits the Whole Clan: Hometown Favoritism in an Authoritarian Regime" (with Quoc-Anh Do, Sciences Po and Anh Tran, Indiana University Bloomington), March 2016. *R&R at American Economic Journal: Applied Economics.*

"Privatization and Productivity of Upstream Industries: Firm and Industry Level Evidence from Vietnam", May 2014.

"Out of Sight, Out of Mind: The Value of Political Connections in Social Networks" (with Quoc-Anh Do, Sciences Po, Yen-Teik Lee, SHUFE, and Bang Nguyen, Cambridge University), June 2012.

Relevant Positions:

Center for Economic Performance, **LSE**, London, UK: Occasional Research Assistant, 2013-present
Indiana University, Bloomington, Indiana, USA: Visiting Scholar, 2011-2012
McKinsey & Company, Singapore: Business Analyst, 2008-2010

Working Paper Abstracts:

"Do tax incentives for research increase firm innovation? An RD Design for R&D"

We present the first evidence showing causal impact of research and development (R&D) tax incentives on innovation outcomes. We exploit a change in the asset-based size thresholds for eligibility for R&D tax credits and implement a Regression Discontinuity Design using administrative tax data on the population of UK firms. There are statistically and economically significant effects of the tax change on both R&D and patenting, with no evidence of a decline in the quality of innovation. R&D tax price elasticities are large at about 2.6, probably because the treated group is from a sub-population subject to financial constraints. There does not appear to be pre-policy manipulation of assets around the thresholds that could undermine our design, but firms do adjust assets to take advantage of the subsidy post-policy.

"One Mandarin Benefits the Whole Clan: Hometown Favoritism in an Authoritarian Regime"

We study patronage politics in authoritarian Vietnam, using an exhaustive panel of ranking officials from 2000 to 2010 to estimate their promotions' impact on infrastructure in their hometowns of patrilineal ancestry. Native officials' promotions lead to a broad range of hometown infrastructure improvement. Hometown favoritism is pervasive across all ranks, even among officials without budget authority, except among elected legislators. Favors are narrowly targeted towards small communes that have no political power, and are strengthened under bad local governance and strong local family values. The evidence

suggests a likely motive of social preferences for hometown.

"Privatization and Productivity of Upstream Industries: Firm and Industry Level Evidence from Vietnam"

This paper shows that from 2001 to 2008, the gradual privatization program in Vietnam has a strong positive spillover impacts on firms' total factor productivity through backward linkages. A firm gains on average 4 percentage points in TFP if private firms in all of its downstream industries increase their market share by 10%. This effect comes mainly from privatized domestic firms within local markets. It is stronger for upstream industries under more competition from imports, and weaker for those that export more. The effect on allocative efficiency is imprecisely negative and mitigates the overall effect on industry TFP index. New entrants capture very large gains in TFP, unlike incumbents. The effect arguably works through elevated pressure from privatized client firms. The spillover is stronger when provincial institutions favor state-owned firms more and create higher entry costs, so good governance and privatization spillover are substitutes.

"Out of Sight, Out of Mind: The Value of Political Connections in Social Networks"

Focusing on former university classmates among corporate directors and U.S. congressmen, and the regression discontinuity design of close Congress elections from 2000 to 2008, we provide robust evidence of the causal impact of social-network based political connections on firm value. The value of political connections varies across politicians, states, and firms remarkably more than previously reported. While connections to powerful senators increase firm value, a challenger's election causes a weighted average treatment effect of -3.24% on connected firms' cumulative abnormal returns surrounding election day. The paper's finding stresses the importance of state-level political connections, especially in more corrupt states.

Honors, Scholarships, and Awards:

Sir John Hicks Prize for Outstanding Performance in MRes examinations, 2013
LSE PhD Scholarship, 2012-2015
Phi Beta Kappa induction; Graduation with Honors, 2008
Grinnell's Wilson Grant for Entrepreneurship, 2006
Iowa Intercollegiate Mathematics Competition: 2nd place, 2005
Grinnell's Merit Scholarship; Dean's List, 2004-2008
Vietnam National Computer Science Olympiad: 2nd place, 2003

Languages and Computer Skills:

Vietnamese (native), English (fluent), French (beginner), Mandarin Chinese (beginner)
Good programming skills in Stata, SAS, Java, C/C++, Pascal, Scheme

SUMARRY OF CURRENT AND FUTURE RESEARCH DIRECTION

I am most interested in questions regarding the functioning of the firm. I want to push the research frontiers to understand how firms operate internally, and in interactions with the business environment and its related incentives. In this area of economic research, there remain many open important questions, one of which is the role of corporate culture with respect to corporate operations, decisions, and performance. That is my current research topic.

In my ongoing project, I first want to explore the match between members of corporate boards of directors and firms, especially along the dimension of corporate culture. Among multiple aspects of culture, I focus on the degree of hierarchical organization and obedience, both within the firm, and intrinsic to directors. The question is how much a firm values a director of a similar culture, compared with her experience and abilities. Understanding the matching between firms and directors would help clarify whether firms care about their corporate culture, and whether the appointment of a director from a different culture affects the firm's original culture. I proxy directors' culture by measures of obedience and independence thinking in the geographical areas where they spent their formative years. I plan to measure corporate culture from text-analyzing the opinions of employees made available on large job-commenting online platforms. The identification can be sharpened by either considering cases in which a director is appointed with only a marginal vote share, or looking at directors appointed by institutional stock holders.

Next, I want to explore whether a firm needs to change its culture, possibly via the means of appointing a new director, when it steers its strategy in a completely different direction. I consider exogenous variations in the effective costs of investment in R&D, in two settings in the US and the UK, and evaluate whether firms appoint new directors to take advantage of the shift, and whether they tend to promote a more innovative and less obedient culture in the long run. I then investigate the role of culture among entrant firms: whether entrant firms tend to have a more innovative, less obedient culture. In particular, do entrepreneurs with a background in less obedient culture have more of a startup advantage when incentives shift in favor of more R&D. Another question is whether firms that start out with a more innovative, less obedient culture tend to take better advantage of the change in R&D investment costs.

The findings I am targeting will clarify the role of corporate culture in corporate operation. I hope to show that a specific aspect of culture matters to innovation and growth, and therefore would enter the sphere of corporate decisions.

This current research program is built upon my existing research on related topics. In my most recent paper, "Do tax incentives for research increase firm innovation? An RD design for R&D" (joint with A. Dechezleprêtre, E. Einiö, R. Martin, and J. Van Reenen), I investigate firms'

responses to R&D incentives in the form of tax credits. The relevant literature often argues that firms typically cannot capture the full social returns to their innovation, and consequently they underinvest in innovative activities. Policies such as tax credits for R&D activities are designed to remedy such market failure, but they are difficult to evaluate because of confounding characteristics of firms that benefit more from those policies. In this paper, I take advantage of a particular natural experiment, namely the RD Design in the changes of tax credits to large versus small and medium UK firms, first to estimate the effects of tax credits on not only R&D investment but also patents and productivity. I then use the same framework to evaluate the social returns to R&D investment, and find that R&D investment has sizable positive spillovers on innovation outputs of other firms in the same technological space. My estimates imply a ratio of one-to-one between private returns and spillover. Overall, the findings, supported by clean and direct estimates, highlight that R&D tax incentives are effective in increasing firms' R&D beyond the extent of relabeling. This results in real increase in firms' innovation outputs, growth, and productivity and also has sizable positive spillovers on connected firms.

In another paper, "Privatization and productivity of upstream industries: Firm and industry level evidence from Vietnam," I also looked for spillover effects from a different type of policy changes: the incidence of mass privatization in Vietnam. More precisely, I explore whether privatized firms exert an impact on the productivity of upstream and downstream industries. While it is difficult to address causation in a context where there are many unknown determinants of privatization of state own enterprises, vertical spillover effects towards upstream and downstream industries are arguably much less affected by endogeneity issues. I find positive spillover on productivity, but only towards upstream industries. I investigate three different channels: increased downstream demand, technology spillover via learning by doing, and elevated pressure from downstream clients, and show that the key channel is likely the higher standards that the privatized client firms ask for. Most interestingly, I find that the effect comes mainly from improved productivity of new entrants to the benefited upstream industries, and not via incumbent firms.

Another paper, "Out of sight out of mind: The value of political connections in social networks" (joint with Q.-A. Do, Y.-T. Lee, and B. D. Nguyen), I look at another side of firm activities and corporate directors, namely the effect of their social connections to politicians on firm outcomes. Again, I use the RD Design of close elections of congressmen to estimate precisely the impact of connections on firm value. I find that firms benefit more from connections to state-level politicians than to congressmen, so that when these politicians win a race and move to DC, firm value diminishes compared with the case they lose the election. The results highlight that firms' benefits from directors can be quite complex, and further explorations are needed to understand how directors bring value to firms.

CENTRE for ECONOMIC PERFORMANCE

London School of Economics, Houghton Street, London WC2A 2AE

Direct line: 020 7955 6976 PA (Linda Cleavely): 020 7955 7049

March 28th 2016

Re: Letter of Recommendation for Kieu-Trang Nguyen

Dear Brett.

Hope all is well.

I am writing to strongly support Kieu-Trang Nguyen's application for the Entrepreneurship Research Boot Camp at the NBER Summer Institute 2016. She is one of my current PhD students and among the best I have supervised.

Trang has demonstrated excellent research quality. She is among the top 5% of economics PhD candidates at the LSE. Her research relates in many ways to entrepreneurship, and she would benefit tremendously from this opportunity to learn about the state of the art research topics and tools regarding entrepreneurship.

I have known her since 2013, when I hired her as a research assistant for my project "Do tax incentives for research increase firm innovation? An RD Design for R&D." The project uses a regression discontinuity design at an eligibility threshold to estimate the impacts of tax incentives on R&D, patents, and productivity. The project requires working on confidential data at the HMRC (the equivalent of the IRS), only accessible from an isolated data laboratory where no electronic devices are permitted. Therefore, Trang has been in charge of the entire empirical enterprise of the project. She has done everything in data analysis for the project, from the design of the empirical implementation to the interpretation of various results, and the organization of all results.

She has superb econometric and programming skills, accompanied by great intuition of what happens in the data. She designs the major specifications, and poses different questions to perform a wide range of robustness checks. Given her major role in all

empirical analysis, I invited her to be a full coauthor on the project. I hope that the paper will be well placed in a top journal.

Trang has fantastic empirical skills, and she also performed very well in her class. She was awarded the prize for the best first year student in her PhD cohort and eventually obtained 5 out of 6 possible distinctions for her PhD course work. Under my supervision, she also wrote a fantastic second year paper on the indirect consequences of privatization in Vietnam. The paper finds that there are vertical spillovers of privatized firms on productivity of firms in upstream industries, especially on new entrants. This spillover effect provides a new argument in favor of privatization. For the paper, Trang obtains data from firm census in Vietnam over a 10-year period in which most of state-owned firms were privatized, produces Olley-Pakes TFP estimates, and estimates the effects of upstream and downstream privatization in a dynamic panel.

Apart from those two projects, Trang has two other coauthored papers that are already in advanced stage. One of them, "One Mandarin Benefits the Whole Clan: Hometown Favoritism in an Authoritarian Regime," is currently under second round R&R at the AEJ: Applied Economics. It shows that promoted officials in Vietnam channel favors to their hometown in the form of new infrastructures. The other, "Out of Sight, Out of Mind: The Value of Political Connections in Social Networks," uses close elections to Congress to shows that firms benefit more from their political connections when the connected politicians stay in state politics than when they get elected to Congress. It is indicative how state politics in the US is more corrupt than federal politics.

Trang is now working at a preliminary stage on two major questions regarding corporate culture and firm decisions and performance. First, she asks whether certain exogenous changes in investment costs, such as tax credits to R&D, induce firms to adjust their corporate culture in favor of new investments, such as R&D, possibly through the appointment of new directors whose background and previous experience may help in this direction. Second, she considers whether closely appointed directors may affect corporate culture and result in changes in firm performance. She is planning an innovative way to measure corporate culture from online content, and uses clean

identifications to answers those questions. The project has huge potential to be a major hit.

Let me conclude by restating that Trang is a truly great scholar with a broad scope of interests, and that she is a joy to interact and work with. I strongly support her candidacy without reservation.

Should you have any additional questions, feel free to contact me at +44 (0)20 7955 6976 (office), or at j.vanreenen@lse.ac.uk. Thank you for your consideration.

Sincerely,

John Van Reenen

Yours Sincerely



John Van Reenen

Professor of Economics, London School of Economics, Director of Centre for Economic Performance