Broad College of Business
MICHIGAN STATE UNIVERSITY

Dear Spartans and friends,

The faculty at the Eli Broad College of Business at Michigan State University are positively impacting organizations and society by conducting and publishing quality research. This Winter 2024 issue of the Broad Research Review highlights publications by faculty in journals strategically targeted by the college, on topics of increasing import to those critically engaged with the advancement of society. Readers can look forward to insights about industrial water conservation, workplace diversity and inclusion, healthcare quality improvement, and more.

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As an AAU and Carnegie R1 research institution, the research mission at MSU and the Broad College is central to our identity. We hope you enjoy these recent scholarly contributions from our faculty in some of the world's most prestigious journals.

Warm regards,

John Hollenbeck
Associate Dean for Research and Doctoral Programs

Natalie DeVolder
Research and Program Administrator

Leveraging Quality Disclosure: How Regulations Drive Healthcare Improvements Across Hospitals

Quality disclosures on medical outcomes, like patient mortality rates, are meant to improve healthcare by informing the public. In their article, accounting faculty members **Martin Holzhacker** and **Ranjani Krishnan** along with former doctoral student Aishwarrya Deore (now faculty at Georgetown University) examine how hospital quality disclosure regulations affect patient outcomes. By analyzing patient records from California hospitals between 1995 and 2014, the authors found that mortality dropped by 11.5% to 23% for patients with conditions for which mortality rates were publicly reported. Remarkably, mortality rates improved not only for patients reported under the disclosure: patients with conditions treated under the same specialty as the reported condition also saw a 15.2% reduction in mortality. These findings suggest that narrowly targeted quality disclosure policies can drive broader improvements in healthcare quality outcomes.

Deore, A; **Holzhacker, M**; **Krishnan, R**. (2024). Direct and spillover effects of quality disclosure regulation: Evidence from California hospitals. MANAGEMENT SCIENCE, 70(4), 2477-2496.

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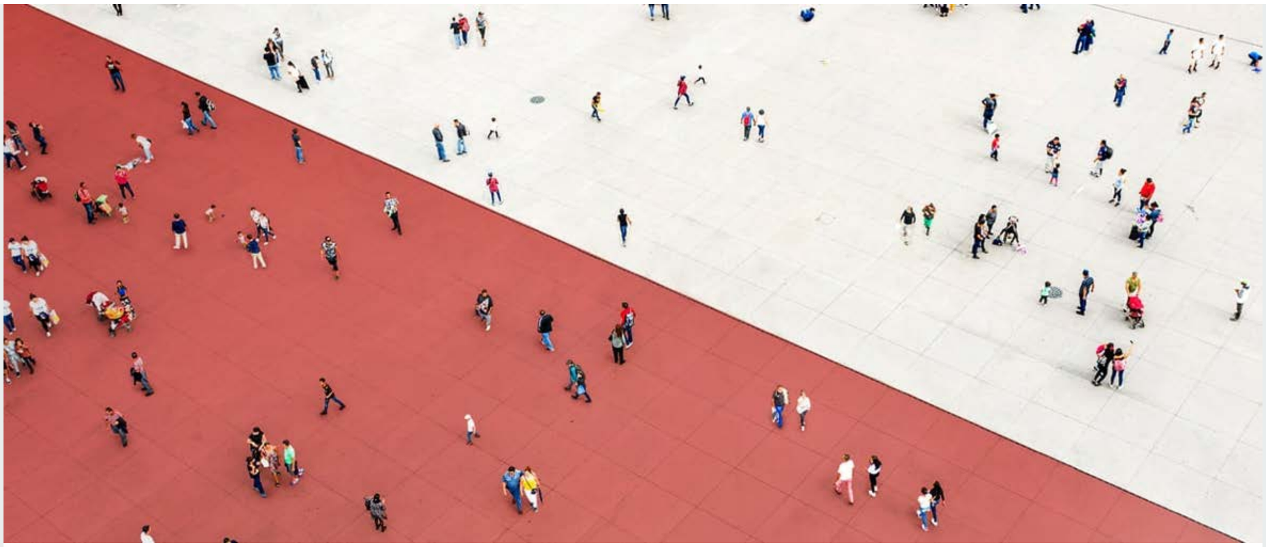

Navigating the Divide: The Impact of Political Polarization on Financial News and Investor Decision-Making

Ryan Israelsen and colleagues investigate how political polarization affects financial news coverage and its implications for investors in this study. The researchers found that financial news is increasingly polarized, with different news outlets framing economic and financial events in ways that align with their political biases. This polarization can lead investors to receive skewed or incomplete information, depending on the sources they rely on. The study highlights the risk that politically biased financial news can distort investors' perceptions, leading to suboptimal investment decisions. Practically, this means that investors need to be more discerning about their news sources, seeking out diverse perspectives to get a fuller picture of financial markets. For financial professionals, understanding the impact of political polarization in news can help them better advise clients and avoid potential pitfalls caused by biased information.

Goldman, E; Gupta, N; **Israelsen, R**. (2024). Political polarization in financial news. JOURNAL OF FINANCIAL ECONOMICS, 155, Article 103816.

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Balancing Act: How Corporate Social Responsibility Influences Employee Ethics and Moral Behavior

This study by **Russell Johnson** and colleagues explores how corporate social responsibility (CSR) impacts employees' moral self-regulation, especially when they engage in unethical behavior that benefits their organization. The research reveals two competing effects: CSR can act as a "cleansing" mechanism, helping employees feel morally balanced after unethical acts, or as a "licensing" effect, where employees feel justified in continuing unethical behavior because the organization does good elsewhere. Practically, this suggests that while CSR initiatives are valuable, they can have unintended consequences on employee behavior. Therefore, organizations should pair CSR efforts with strong ethical guidelines and reinforcement to ensure that CSR promotes genuine moral behavior rather than providing a moral license for unethical practices.

Liao, ZY; Yam, KC; Lee, HW; **Johnson, RE**; Tang, PM. (2024). Cleansing or Licensing? Corporate Social Responsibility Reconciles the Competing Effects of Unethical Pro-Organizational Behavior on Moral Self-Regulation. JOURNAL OF MANAGEMENT, 50(5), 1643-1683.

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Unveiling the Impact: How Changes in Accounting Estimates Influence the Reliability of Earnings Reports

This study by **Kyonghee Kim** and colleagues investigates how material changes in accounting estimates, such as those related to bad debt or pension liabilities, influence the reliability of earnings and their perceived usefulness to investors. The research finds that while periodic reviews and adjustments of these estimates can improve earnings usefulness, they may also compromise reliability, posing challenges in accurately assessing a company's financial performance. For companies, the findings suggest a need for greater transparency in disclosing the reasons for and implications of these changes to maintain investor trust and ensure the continued usefulness of their financial statements.

Albrecht, A; Glendening, M; **Kim, K**; Lee, KJ. (2024). Material changes in accounting estimates and the usefulness of earnings. REVIEW OF ACCOUNTING STUDIES, 29(2), 1320-1359.

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The Impact of FIN 48 on Aligning Tax Expense with Future Cash Taxes

In this study, **Kevin Markle** and colleagues investigate whether FIN 48, a financial accounting standard aimed at increasing the relevance of the tax numbers reported in financial statements, has improved the relationship between a company's reported tax expense and its future cash taxes. The research finds that FIN 48 has indeed enhanced the alignment between these two measures, making tax expense a more accurate predictor of future cash tax payments. This improvement is crucial for investors, analysts, and other stakeholders who rely on financial statements to make informed decisions. By providing a clearer picture of future tax obligations, FIN 48 reduces the risk of surprises related to tax payments, thereby increasing the reliability of financial reporting. For investors, the study underscores the value of considering tax expense as a more reliable indicator of future cash taxes when evaluating a company's financial health.

Gleason, CA; **Markle, KS**; Song, JZ. (2024). Did FIN 48 improve the mapping between tax expense and future cash taxes? REVIEW OF ACCOUNTING STUDIES, 29(2), 1794-1830.

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Leveraging Organizational Learning to Drive Industrial Water Conservation: Strategies for Sustainable Operations

A recent study by **Sriram Narayanan**, **Brian W. Jacobs**, and colleague Awaysheh Amrou examines how organizational learning can significantly reduce industrial water consumption. The researchers found that companies that actively engage in learning processes—such as sharing best practices, continuously improving operations, and integrating new technologies—are better equipped to reduce their water usage. Organizational learning enables companies to identify inefficiencies, adopt more sustainable practices, and respond effectively to environmental regulations. By doing so, companies cannot only reduce operational costs but also enhance their environmental sustainability, which is increasingly critical for long-term success and compliance with stricter environmental standards. Finally, the study shows that facilities that are more water stressed learn faster than facilities that are located in regions that are not water stressed.

Awaysheh, A; **Narayanan, S**; **Jacobs, BW**. (2024). Reducing Industrial Water Consumption: The Impact of Organizational Learning. PRODUCTION AND OPERATIONS MANAGEMENT, 33(1), 225-242.

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Enhancing Diversity Training Through Active Learning: A Pathway to Inclusive Workplaces

An April 2024 study by **Quinetta Roberson** and colleagues explores how active learning can improve the effectiveness of diversity training in workplaces. Traditional diversity training methods often rely on passive one-size-fits-all learning, where all employees learn via lectures or videos. In contrast, this study advocates for active learning approaches, which account for participants' backgrounds and experiences and engage through discussions, role-playing, and problem-solving exercises. The research suggests that active learning helps employees better understand and internalize diversity concepts, making them more likely to apply these principles in their daily work. This approach not only increases engagement but also leads to more meaningful behavioral changes, ultimately fostering a more inclusive workplace environment. The findings underscore the importance of moving beyond conventional training methods to create lasting impact on organizational culture.

Roberson, QM; Moore, OA; Bell, BS. (2024). An active learning approach to diversity training. ACADEMY OF MANAGEMENT REVIEW, 49(2), 344-365.

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Robo-Advisors: Expanding Financial Advisory Access for the Broader Population

This study by **Stanislav Sokolinski** and colleagues explores the impact of robo-advisors on expanding access to wealth management services. Robo-advisors are automated platforms that provide financial advice and portfolio management with lower fees and no minimum investment thresholds, making them accessible to a wider audience, including individuals who traditionally couldn't afford such services. The research shows that by lowering these barriers, robo-advisors help democratize wealth management, enabling more people to make informed investment decisions. This increased access can also contribute to reducing wealth inequality, as middle-income individuals are empowered to grow their wealth through sound investment strategies that were previously only available to wealthier clients.

Reher, M; **Sokolinski, S.** (2024). Robo advisors and access to wealth management. JOURNAL OF FINANCIAL ECONOMICS, 155, Article 103829.

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