

## Bharadwaj Kannan

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Visa Status: H-1B

**ACADEMIC APPOINTMENTS** Assistant Professor of Finance, College of Business, Colorado State University  
15th July, 2016 - Present

Instructor, Finance, University of Colorado at Boulder June, 2016

**EDUCATION** **PhD in Finance** May, 2016  
*University of Colorado-Boulder*

**M.A. Economics** May, 2010  
*Christ University, Bangalore, India*

**B.A. Honors Economics** June, 2008  
*Shaheed Bhagat Singh College, Delhi University, India*

**RESEARCH INTERESTS** Corporate Finance, Labor Economics, Market Efficiency, and Industrial Organization

**ACCEPTED PAPERS** **Rival Growth Prospects and Equity Prices: Evidence from Mass Layoff Announcements**

*Co-Authors:* Roberto Pinheiro and Adam Bordeman

*Status:* Accepted at Journal of Money, Credit & Banking

*Abstract:* We investigate the impact of mass layoff announcements on industry rivals and find that investors perceive layoff announcements as news about industry prospects. When a layoff announcement conveys good (bad) news for the announcer, rivals on average witness a 0.44% increase (0.60% decrease) in cumulative abnormal stock returns. To explain this industry effect, we identify a new ‘growth opportunities’ channel, where rivals with greater growth opportunities are affected most by changing industry prospects. Consistent with this channel, we show that our results are strongest in technology industries, where growth opportunities matter the most. Alternative industry classifications and a placebo test confirm that our results are not driven by confounding factors.

**WORKING PAPERS**

**Strategic Leverage and the Upside to Downsizing?**

*Status:* Under review at Review of Financial Studies

*Abstract:* Contrary to popular belief, nearly a third of mass layoffs by S&P 500 firms do not result in downsizing. Since the market fails to identify this anomaly in the short run, I construct a real-time index to predict the probability of downsizing following an announcement. A trading strategy that bought firms in the bottom half of the layoff index (Workforce Downsizing) and sold firms in the top half (Workforce Reorganizing) would have generated a 9.5% BHAR in the following 300 days. These

abnormal returns are strongest (10.8 %) in high union coverage industries implying that when firms successfully bargain with workers to downsize, they benefit the most. To confirm this result, I identify a new “strategic debt” channel, where firms use poor performance to strategically raise leverage prior to a layoff announcement to commit to downsizing. Finally, I use alternative measures of long run performance, multiple matching methodologies and placebo tests to confirm that my results are not driven by confounding factors.

### **Rating Inflation and the Mirage of Innovation**

*Co-Author:* Sean Flynn

*Abstract:* We examine the effect of rating inflation on corporate innovation. Using plausibly exogenous variation in rating quality that comes from increased competition among rating agencies, we show that rating inflation adversely affects the quality of innovation. Although firms with inflated ratings issue a greater number of patents in the short run, we show that both the citations per patent and the dollar value of patents drop significantly. This result is mainly driven by non-technology industries suggesting that firms which do not rely on patents and innovation for value creation issue lower-quality patents. Our findings are consistent with the idea that managers recognize the true value of the firm and that inflated ratings encourage wasteful expenditure and discourage high-risk investment in innovation. Finally, we show that our results are robust to the use of alternative measures of innovation and a placebo test centered on the Dodd-Frank Act which improved rating quality.

### **Unintended Consequences of the Inevitable Disclosure Doctrine: Restricting Labor Mobility & Capital-Labor Substitution**

*Co-Authors:* Roberto Pinheiro and Harry Turtle

*Abstract:* The inevitable disclosure doctrine (IDD) is intended to help firms protect their trade secrets from rivals by restricting labor mobility. We document an unintended consequence of state recognition of the IDD that results in a capital for labor substitution. IDD adoption increases the relative cost of high-skilled labor and triggers a replacement of labor by capital. Firms finance this replacement with additional leverage made possible by the reduced fixed costs of skilled labor. Our findings suggest that, contrary to intent, the IDD incentivizes a shift toward capital and away from more costly skilled labor.

## **WORK IN PROGRESS**

### **Mutual Fund Flows, Active Management, and Market Performance**

*Co-Authors:* Roberto Pinheiro and Hilla Skiba

*Abstract:* The value added by active managers is still a contentious topic. In this paper we study the relevance of active management and show that active managers do add value, but only during downturns. Specifically, we find that active managers exhibit skill by timing the market when they increase the active share of their portfolios ahead of a bear market and earn higher market adjusted returns during the downturn. At the same time, we show that, on aggregate, active share is associated with lower market performance, suggesting that active share is a measure of sentiment in the market. Our results suggest that, while fund managers exhibit skill and raise active share as a defensive strategy during downturns, the overall market still shows behavioral biases when active share increases.

### **Minimum Wage Laws and Housing Prices**

*Co-Authors:* Hilla Skiba

**Learning from Peers? Cyber-security Breaches, Tone and Corporate Policy**

*Co-Authors: Costanza Meneghetti & Sam Piotrowski*

**CONFERENCES** **2017:** Front Range Finance Conference, India Finance Conference  
**2016:** Cornerstone Research, Colorado State University, Australian National University, IMF (co-author), Cleveland State University (co-author), EALE Conference (Co-author)  
**2015:** Financial Management Association Doctoral Consortium, Financial Management Association Conference, Front Range Seminar, Colorado, Midwest Finance Association, University of Colorado-Boulder  
**2014:** University of Colorado-Boulder

**TEACHING** BUS 640 (Online & Executive MBA) - Financial Principles & Practice at CSU  
Sessions: Fall 2019, Spring 2020 (Replay), Fall 2020

BUS 641 (Early Career MBA) - Financial Markets & Investments at CSU  
Sessions: Fall 2018

FIN 524 (Master's Course) - Financial Statistics at CSU  
Sessions: Fall 2017

FIN 370 (Undergraduate Course) - Financial Management at CSU  
Sessions: Fall 2016, Fall 2017, Spring 2018, Spring 2019, Spring 2020, Fall 2020

FIN 310 (Undergraduate Course) - Financial Markets & Institutions at CSU  
Sessions: Fall 2017

FNCE 4850 (Undergraduate Course) - Capstone case course in Corporate Finance at CU-Boulder  
Sessions: Summer 2016

BCOR 2200 (Undergraduate Course) - Introductory Corporate Finance at CU-Boulder  
Sessions: Summer 2013, Summer 2014

**SERVICE** Finance Seminar Series Organizer: *Fall 2018 - Present*

Non-Tenure Track Promotion committee member: *Fall 2019 - Present*

Tenure-Track faculty search committee member: *Fall 2017, Fall 2019, Spring 2020*

Master of Finance Curriculum Workgroup committee member: *Fall 2019*

Undergraduate Curriculum Workgroup committee member: *Fall 2019*

Journal List Revision committee member: *Spring 2017, Fall 2017, Spring 2018*

Special Appointment Faculty Search committee member: *Fall 2017*

**AWARDS &  
HONORS**

FRE Department's Summer Enterprise Research Program Grant, *2020*

Graduate Assistantship, *2010, 2012-2015*

AFA Student Travel Grant, *2015*

Gerald Hart Doctoral Research Summer Fellowship, *2012, 2014*

Graduate School University Fellowship, *2012-2014*

International Graduate Student Scholarship, *2012*

**PROFESSIONAL  
SERVICE**

Ad-hoc referee: European Financial Management, Journal of Corporate Finance, Northern American Journal of Economics and Finance

Invited Discussions: Midwest Finance Association, *2015*

**COMPUTER  
SKILLS**

Programming Skills: R, Stata, and Matlab

Other Computer Skills: LaTeX and Microsoft Word, Excel and PowerPoint