# XIAO CEN

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## EMPLOYMENT

Mays Business School, Texas A&M University
Assistant Professor of Finance, 2020-present

## EDUCATION

Columbia University, Ph.D. in Finance, 2020
Shanghai Advanced Institute of Finance (SAIF), M.A. in Economics, 2013
Tsinghua University, B.E. in Automation Engineering, 2011

## RESEARCH

### *Research Interests*

Empirical Corporate Finance, Labor and Finance, Household Finance

### *Working Papers*

**Labor and Finance**

**[1] "Corporate Social Responsibility and Employee Retention"**, with Yue Qiu and Tracy Yue Wang

◦ Revise and Resubmit, *Review of Financial Studies*
◦ Presented at Georgia State University, UCLA, Labor and Finance Group Seminar, University of Minnesota, Temple University, MFA, Society of Labor Economists Meeting, Texas A&M University, Philly Five-Star Conference, UNC/Duke Corporate Finance Conference, SFS Cavalcade Conference

Abstract: Using administrative data from the U.S. Census, this study provides the first direct evidence on the employee retention effect of CSR. Exploring both positive and negative shocks to firms' CSR policies, we find that within an employer, voluntary separation rate of CSR-conscious employees is affected while that of others is not. The CSR-related employee retention affects labor productivity, supporting the employee channel of CSR's impact on firm value. Furthermore, for CSR-conscious employees, CSR's retention effect cannot be mitigated by stronger financial incentives. Our findings suggest that firm-employee value alignment serves as a non-financial job benefit that strengthens employee retention.

**[2] "Corporate Diversity Culture Spillover"**, with Yue Qiu and Tracy Yue Wang

◦ Presented at University of Minnesota, University of Washington, Weinberg/ECGI Corporate Governance Symposium, Virtual Corporate Finance Seminar, FIRS, CICF, Federal Reserve Bank of Philadelphia

Abstract: We study the spillover of corporate diversity culture among interacting firms. To identify the cultural transmission channels, we explore the entry of a "Million Dollar Plant" (MDP) in a county and examine how the diversity culture of the MDP's parent company influences the evolution of the diversity culture of local employers and their parent companies. Using data from the U.S. Census, we find that when a more (less) pro-diversity firm opens an MDP in a county, local gender wage gap decreases (increases). Labor market competition is a key channel behind these effects. Next, we examine whether changes in the local employer's gender wage gap would lead to broad changes in the diversity culture of their parent companies. We find evidence of diversity culture spillover beyond gender wage gap and beyond the MDP entry areas. The spillover is stronger when learning within the internal networks of a local firm is stronger. But broad cultural spillover occurs only when local firms' top leaders are receptive to the diversity culture of the MDP's parent company.

**[3] "How Do U.S. Firms Withstand Foreign Industrial Policies?"**, with Vyacheslav Fos and Wei Jiang

◦ Presented at Imperial College London, the University of Oxford, NBER China Conference, UCLA, China Financial Research Conference, University of Oregon Summer Finance Conference, Virtual Corporate Finance Seminar, Ohio State, ABFER webinar, RCFS Winter Conference, EFA, AFA

Abstract: China's Five-Year Plans (industrial policies targeting specific industries) displace US production/employment and heighten plant closures in the same industries. The shocks were not anticipated by the U.S. stock market, but firms in the treated industries suffer valuation loss afterwards. Firms adjust by shifting production to upstream or downstream industries benefiting from the boost, or offshoring to government-endorsed industries in China. Such within-firm adjustments offset the negative shocks among firms with pre-existing toeholds in the "beneficiary" industries or production overseas, suggesting a novel role of diversification. Financial access and labor fluidity are instrumental for firms to withstand global economic shocks.

**[4] "Natural Disasters, Household Wealth, and Entrepreneurial Career Choices"**

◦ Based on Ph.D. dissertation at Columbia University
◦ Best paper award, University of Southern California PhD Conference in Finance
◦ Presented at HEC Entrepreneurship Workshop, NFA, University of Texas in Austin, Columbia University, NYU, Texas A&M University, University of Houston, Brandeis University, University of Pittsburg, Northeastern University

Abstract: This study investigates how household wealth affects the human capital of startups, based on U.S. Census individual-level employment data, deed records, and geographic information system (GIS) data. Using floods as a wealth shock, a regression discontinuity analysis shows inundated residents are 7% less likely to work in startups relative to their neighbors outside the flood boundary, within a 0.1-mile-wide band. The effect is more pronounced for homeowners, consistent with the wealth effect. The career distortion leads to a significant long-run income loss, highlighting the importance of self-insurance for human capital allocation.

**[5] "A Race to Lead: How Chinese Government Interventions Shape the U.S.-China Production Competition"**, with Slava Fos and Wei Jiang

◦ Presented at Columbia University, Yeshiva University, US-China Business Council, CICF, Texas A&M University, UT Dallas Finance Conference
◦ Media Coverage: Bloomberg

Abstract: Integrating establishment-level data from the United States and China, we study dynamic industrial interdependence between the two economies. Births of Chinese firms predict same-industry firm exits and reduced employment in the U.S., but the reverse relationship is not significant. Chinese Five-Year Plans were not preceded by low production/employment in the same industries in the U.S., but were followed by shrinkage with spillovers along the supply chain. Stock returns, firm valuation, and job postings indicate that neither the market nor companies expected deterioration in the targeted industries prior to the announcement of the Plans, but made adjustments afterwards.

## Household Finance

**[6] "Smartphone Trading Technology, Investor Behavior, and Mutual Fund Performance"**

◦ *Management Science*, 2023
◦ Presented at SFS Cavalcade, Northeastern University Finance Conference, University of Connecticut Financial Risk Conference, Chapman University Money and Finance Conference, FMA, NFA

Abstract: This study investigates how smartphone trading technology affects retail investor behavior and mutual fund performance using proprietary individual-level trading data around a natural experiment—the release of a smartphone trading app by a large investment adviser. App adoption raises investor attention and trading volume through amplifying cognitive biases such as self-control problems and overconfidence. The technology shock increases investors' flow sensitivity to short-term fund returns and market sentiment, and boosts the aggregate flows of app adopters. The funds more exposed to the shock see a greater decline in abnormal returns, which is likely attributed to higher fund flows and liquidity costs. Overall, the findings suggest investors' adoption of smartphone trading technology can create negative externalities to other investors holding the same funds.

**[7] "Information Access and Asset Allocation: Evidence from Mobile Technology"**, with Nan Li

◦ Revise and Resubmit, *Journal of Accounting Research*
◦ Presented at Midwest Accounting Research Conference, Tsinghua University, Renmin University of China, Hawaii Accounting Research Conference, 2023 AAA Annual Meeting

Abstract: We investigate the dynamics of information access behavior and asset allocation decisions using individual-level data from a large mutual fund company. Employing a setting centered on the release of a smartphone trading app, we find that app adoption significantly increases investors' information access frequency. Following app adoption, investors shift their holdings from bond funds to equity funds. Within adopters, the percentage of equity funds holding is positively associated with app-based logins. We also find that app adoption leads to more frequent equity fund trading and that the effect is more pronounced around major economic news releases. Overall, the results highlight the influence of information costs on investors' indirect market participation.

## Managerial Compensation and Human Capital

**[8] "Shareholder Preference and Managerial Risk-Taking Incentive"**, with Nan Li, Chao Tang, Juanting Wang

◦ Conditionally Accepted, *Journal of Accounting and Economics*

Abstract: This study investigates the relationship between executive compensation and shareholders' risk preferences, drawing on the theoretical prediction that shareholder-creditor conflicts shape shareholders' risk appetites. Our primary empirical strategy employs the observation that collateral can influence shareholders' risk-taking incentives. Using local real estate price changes to identify variations in collateral value, we find that a decrease in collateral value, which amplifies shareholders' preferences for risk, leads to more risk-taking incentives in compensation. This effect is more pronounced in firms with secured debts, higher distress risk, and without capital expenditure restrictions. In the second empirical setting, we provide corroborating evidence using a natural experiment involving disaster-induced negative shocks. Collectively, our findings suggest that the design of executive compensation incorporates shareholders' risk-taking preferences and facilitates the incentive alignment between shareholders and managers.

**[9] "Fund Flows and Income Risk of Fund Managers"**, with Winston Wei Dou, Leonid Kogan, Wei Wu

◦ Revise and Resubmit
◦ First draft: April 2023
◦ Presented at Texas A&M, NBER Big Data and Securities Markets Conference, Michigan Ross, Colorado Finance Summit, MFA 2024 (scheduled), Adam Smith Workshop (scheduled), FIRS 2024 (scheduled), WFA 2024 (scheduled), EFMA 2024 (scheduled), NFA 2024 (scheduled)
◦ Media coverage: NBER Digest

Abstract: Investment fund managers make asset allocation decisions on behalf of a significant segment of US households. To elucidate the incentives they operate under, as well as the income and career risks they face, we construct a unique and novel dataset, which encompasses detailed information on the compensation and career trajectories of managers within US active equity mutual funds. The dataset is compiled based on the US Census Bureau's LEHD program, leveraging various "big" textual data sources. Our causal evidence indicates that, contrary to fund disclosures, managers' pay is primarily driven by Assets Under Management (AUM), with performance influencing compensation only via AUM. Fund flows, although they do not align with client interests, have a significant 6% positive impact on compensation for every one-standard-deviation increase. Systematic flow components impact base salaries, while idiosyncratic elements alter bonuses. Crucially, fund flows, as opposed to fund performance, exert a strong impact on the career outcomes of fund managers, especially concerning their downside career risk. Specifically, large fund outflows elevate a manager's likelihood of job turnover (with a substantial decline in income) by 4 percentage points.

**[10] "Competition on Talent and Mutual Fund Performance: Evidence from China's Private Fund Deregulation"**

Abstract: This paper documents that the increased competition from private funds (i.e. hedge funds, private equity and venture capital) adversely impacts mutual fund performance through the "talent stealing" channel. To establish causality, I exploit an arguably exogenous regulatory change that stimulated the private fund industry in China and elevated the competition with a subset of mutual funds. Specifically, I find that the excess return of affected mutual funds declines substantially after the shock as opposed to the control group. Furthermore, the fund manager turnover rate increased by more than 50% in the treated funds compared to the control group, and the performance decline is twice as large after a managerial turnover. The performance gap between departing managers and the successors widens after the shock, suggesting that intensified competition also affects the bench strength. Overall, this paper shows the adverse effect of cross-industry competition on mutual fund performance and highlights the importance of talent in the money management industry.

## TEACHING

Mays Business School, Texas A&M University
Managerial Finance I (FINC 361)
Undergraduate: Instructor, 2020-2023

Columbia Business School
NYC Immersion Seminar: Activist Investing
MBA: TA for Wei Jiang, Spring, 2016
Financial Econometrics: Panel Data
PhD: TA for Wei Jiang, Spring 2016
Debevoise Business Education Program
Exec. Ed.: TA for Charles Jones, Fall, 2016
Advanced Corporate Finance
MBA: TA for Professor Neng Wang, Fall, 2017

## PROFESSIONAL SERVICE

Referee
Review of Financial Studies, Journal of Finance, Management Science, Journal of Banking and Finance, Journal of Corporate Finance
Co-organizer
Young Scholar Finance Consortium Conference, Texas A&M University, 2023
Coordinator
PG&E Finance Seminar Series, Texas A&M University, 2022-2024

## AWARDS & GRANTS

Best Paper Award, Columbia Business School PhD Forum, 2016
The Paul and Sandra Montrone Doctoral Fellowship, 2017
Eugene Lang Entrepreneurship Center Fellowship, 2017
W. Edwards Deming Center Fellowship, 2018
Finance Division Research Grant, Columbia Business School, 2018
Best Paper Award, University of Southern California PhD Conference in Finance, 2019