

## **CHANGHYUN KIM**

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### **Education**

#### **University of North Carolina at Chapel Hill**

Ph.D. Candidate (Proposal Defended/Expected Graduation-May 2014), Major: Strategy  
MBA (2009) - Graduation Distinction: The International Honor Society Beta Gamma Sigma

#### **Yonsei University, Seoul, Korea**

MBA (1997) –Major: International Business, Academic Merit Scholarship  
BBA (1995) – Major: Business Administration, President’s Award (1993)

### **Dissertation**

**Title :** “*Governance Mechanisms and Shareholder Value: Evidence from a Merger Wave*”

**Committee :** Richard A. Bettis (Chair-Strategy), Howard E. Aldrich (Sociology), Atul Nerkar(Strategy), Hugh O’Neill(Strategy), Paige Parker Ouimet (Finance)

**Synopsis :** My dissertation examines a conundrum whereby actions ostensibly to improve management focus on shareholder wealth have had an insignificant or the opposite effect during the merger waves. Since the changes in regulation of financial institutions in the 1980s, the corporate governance landscape of U.S. corporations has undergone an epochal transition in the 1980s and mid-1990s. As a consequence, managerial discretion has decreased while managerial ownership has actually increased. The board of directors has become more independent than before. Despite these changes, the shareholders of acquiring firms in the U.S. experienced a huge amount of wealth destruction in the recent M&A wave from the late 1990s to the early 2000s. I investigate three overall hypotheses during the merger wave for effective governance mechanisms to ensure shareholder value maximization: (1) effective monitoring by institutional investors; (2) increasing managerial ownership; and (3) the minimization of managerial discretion to use cash reserves to make poor investments. In examining these hypotheses I use the propensity to engage in and the resultant performance of M&As as dependent variables. Furthermore, in examining the relationship between institutional ownership and acquisition decision making, I classify institutional investors into ‘transient’ and ‘dedicated’ investors. This allows me to investigate the propensity to engage in M&As and the resultant financial impact as a function of the ratio of (transient & dedicated) institutional investors. The results show that transient institutional investors acted as a catalyst of the wave rather than a protector of shareholder’s value.

**Research Interests:** Corporate Governance, Corporate Strategy, International Business

### **Publication**

**Changhyun Kim & Richard A. Bettis, “Cash is Surprisingly Valuable as a Strategic Asset”**  
*Strategic Management Journal* (Accepted and Forthcoming)

Academics, politicians, and journalists are often highly critical of U.S. firms for holding too much cash. Cash holdings are stockpiled free-cash flow and incur substantial opportunity costs from the perspectives of economics. However, behavioral theory highlights the benefits of cash holdings as fungible slack resources facilitating adaptive advantages. We use the countervailing forces embodied in these two theories to hypothesize and test a quadratic functional relationship of returns to cash measured by Tobin’s q. We also build and test a related novel hypothesis of scale-dependent returns to cash based on the

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competitive strategy concept of strategic deterrence. Tests for both of these hypotheses are positive and show that returns to cash continue to increase far beyond transactional needs.

### **Working Papers (Part of Dissertation - Manuscript Available)**

#### **Changhyun Kim, “Active Investors or Myopic Traders? The Role of Institutional Investors during a Merger Wave” (Job Talk Paper/Target Journal- Academy of Management Journal)**

Corporate governance scholars have emphasized monitoring by institutional investors as a primary mechanism for resolving agency problems. In U.S., however, the shareholders of acquiring firms experienced substantial wealth destruction during the M&A wave in the late 1990s in spite of increasing institutional ownership. I hypothesize that this paradox is due to behavioral difference in two categories of institutional investors (transient vs. dedicated). Empirically, I find that transient institutional investors encouraged M&A activities even during the unproductive, value-destroying M&A wave in the late 1990s. Furthermore, the level of transient institutional investor’s ownership was negatively related to M&A performance measured by cumulative abnormal returns. By contrast, dedicated institutional investors did not significantly impact M&A performance. Overall results suggest that during the merger waves the monitoring by transient institutional investors fails to prevent shareholder value destruction and may actually encourage it.

#### **Changhyun Kim, “Stockpiled Free Cash Flow or Slack Resource? The Role of Corporate Cash Reserves in the Merger Wave ” (Target Journal- Management Science)**

This paper investigates the role played by cash reserves during merger wave. From the perspective of agency theory, cash reserves are the source of agency costs. The formalization of this view is the *free cash flow hypothesis*. Therefore, all the free cash should be distributed to shareholders in the form of share repurchase or dividend. From the perspective of behavioral theory, however, cash reserves play the role of buffer which protects the organizational core from environmental shocks, such as merger waves. In the situation of market-wide overvaluation of firm stocks, firms with sufficient cash reserves need not to be in hurry. Given inflated assets, the firms with sufficient cash tend to wait and buy assets with the cash when the asset price returns to their normal range. Results show that when I investigate the relationship between cash reserves and the propensity to engage to M&A activities, the coefficient of cash reserves is significantly negative in the late 1990s while the sign is significantly positive in other periods.

### **Work in Progress (Outside Dissertation)**

Changhyun Kim with Chanil Boo and Tarun Kushwaha, “*Institutional Investors and Myopic Management: Implications for R&D and Marketing*” (Target Journal: Management Science-Data Analysis)

Changhyun Kim with David Halliday and Richard A. Bettis, “*Myopic Institutional Investors and Financial Misconducts*” (Target Journal: Strategic Management Journal – Data Analysis)

### **Teaching Experience**

*UNC at Chapel Hill, Online-MBA Program, Independent Section Faculty* (2013 July ~ )

Course: Corporate Strategy (MBA 805)

(25 students: 2 sections- 4.5/5.0)

*UNC at Chapel Hill, BSBA, Autonomous Instructor* (Scheduled at Fall Module II, 2013)

Course: Strategic Management (BSBA 698) – Undergraduate Capstone Course

(50 students: 2 sections- Evaluation Available Later)

*Korea Naval Academy, Full-time Instructor* (1997~2000)

Course: International Business, General Management,

*UNC at Chapel Hill, Executive MBA Program, Team Facilitator* with Prof. Mabel Miguel (2010~ )

Course: Leading and Managing (Executive MBA 801)

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## **Presentations**

“*Active Investors or Myopic Traders? The Role of Institutional Investors during the Merger Wave*”

- 2012 Strategic Management Society at Prague
- 2012 BPS Doctoral Consortium at Academy of Management at Boston
- 2013 Mid-Atlantic Strategy Colloquium, Virginia Tech
- 2013 Consortium for Competitiveness and Cooperation at Kansas City
- 2013 BPS Dissertation Consortium at Orland

“*Cash is Surprisingly Valuable as a Strategic Asset*”

- 2010 Strategy Group Seminar, Kenan-Flagler Business School, University of North Carolina at Chapel Hill

“*Transition of Corporate Governance and Ownership Structure of LG Group*”

- 2006 Tsinghua University, The School of Economics and Management, Beijing, China

## **Invited Doctoral Consortia**

- *Academy of Management BPS Doctoral Consortium 2012 at Boston*
- *Strategic Management Society 2012 at Prague*
- *CCC Colloquium for Doctoral Student Research 2013 at Kansas City*
- *Academy of Management BPS Dissertation Consortium 2013 at Orlando*

## **Honors and Awards**

Yonsei University (Undergraduate) - Academic Merit Scholarship (1991), President’s Award (1993)

Yonsei University (Graduate) - Academic Merit Scholarship (1995~1996)

UNC (MBA) - Awarded The International Honor Society Beta Gamma Sigma(2009)

UNC (Ph.D.) - Awarded Future Faculty Fellowship by *UNC’s Office of the Provost and Center for Faculty Excellence* (2012)

## **Professional Activities**

Ad Hoc Reviewer: *Strategic Management Journal* (2012 ~ Present),

*IEEE Transactions on Engineering Management* (2012~ Present)

Conference Reviewer: *Academy of Management Annual Meeting BPS* (2011~ Present)

Professional Memberships:

*Academy of Management* (2009 ~Present), *Strategic Management Society* (2009~Present)

## **Work Experience**

Senior Manager, 2005~2007

*Management Group, LG Corporation, Seoul, Korea*

- Built Monitoring System for LG Subsidiaries
- Benchmarked *Investor AB*, the holding company of ABB, Electroux, and Ericsson, in Sweden

Senior Research Fellow and Consultant, 2000~2005

*Strategy Group, LG Economic Research Institute, Seoul, Korea*

- Assisted LG Group’s transformation to holding company system from circulated investment ownership system
- Consulted LG Electronics (Corporate Strategy / Mobile Division) and LG Display (Corporate Strategy)
- Consulted Battery Division of LG Chemical
- Monitored LG Electronics Division

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Full-time Instructor, 1997~1999

- *Management Science Group, Korea Naval Academy, Changwon, Korea*

## **References**

Dr. Richard A. Bettis, Advisor and Dissertation Chair  
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