JOHN C. HEATER

Doctoral Candidate – Accounting

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EDUCATION

2018 (Expected)	Yale University, Yale School of Management PhD, Accounting	New Haven, CT
2011	Rutgers University, Rutgers Business School Master of Accountancy	New Brunswick, NJ
2009	Rutgers University, Rutgers Business School Bachelor of Science in Accounting, Minor in Psychology	New Brunswick, NJ

RESEARCH

Job Market Paper: “Intended Benefits and Unintended Consequences of Improved Performance Disclosure”

ABSTRACT: In response to the call for additional evidence of the economic effects of disclosure (Leuz and Wysocki, 2016), I document significant unintended consequences of a seemingly innocuous, well-intentioned disclosure rule change. In 1998, the SEC required that all funds disclose a self-selected, primary benchmark. Benchmark reporting varied among actively managed mutual funds: some compared performance to a single benchmark, but most mentioned multiple benchmarks or none at all. The new disclosures should be relatively uninformative for sophisticated investors because they recognize that benchmark choice is strategic, and they observe independent "best fit" benchmarks from Morningstar. However, I find that fund flows for institutional investors become more sensitive to performance relative to the disclosed benchmark, whereas retail investors—presumably the SEC's focus—remain unaffected. Turning to fund manager responses to the disclosure change, I document significant real effects (where disclosure changes fund behavior) and externalities (where strategic benchmark disclosure alters market share). I find that two-thirds of funds select an inaccurate benchmark and outperform non-strategic funds via higher risk taking. The new disclosures also exacerbate the well-documented tendency of underperforming fund managers to increase risk in the second half of the year.

“CFO Co-Option, Earnings Targets, and CEO Compensation” with Shane S. Dikolli, William J. Mayew, and Mani Sethuraman

ABSTRACT: We study whether power dynamics in the CEO-CFO relationship influence the CEO’s compensation. To operationalize CEO-CFO power dynamics, we define CFO co-option as the appointment of a CFO after a CEO assumes office. We find that CFO co-option is associated with a CEO pay premium of about 5.5%, which is partially explained by a higher likelihood that the firm achieves analyst based earnings targets. Our evidence also indicates that the primary mechanism through which co-opted CFOs achieve earnings targets is by walking down analyst forecasts over a fiscal year rather than using discretionary accruals to inflate earnings. The evidence thus suggests that co-opted CFOs are more likely to manage expectations about earnings rather than manage earnings directly to achieve earnings targets.

“Managerial Response to Non-Fundamental Price Shocks” with Yukun Liu and Ben Matthies

ABSTRACT: We find that managers significantly alter their behavior in response to non-fundamental declines in price. In particular, after an exogenous, non-fundamental price drop, managers increase their disclosure quality, and shift accrual earnings management to real earnings management. Moreover, managers with high equity incentives engage more in real earnings management, while managers at firms with high litigation risk tend to increase their disclosure quality and decrease accrual earnings management. We confirm that the net effect of earnings management, in response to non-fundamental price shocks, results in firms more frequently reporting "suspicious" earnings. In our sample, firms that experience large non-fundamental price declines are more likely, on average, to meet or beat analysts’ earnings expectations by 1 or 2 cents. Our findings suggest that non-fundamental price variation is an important driver of firm disclosure policy and earnings management.

"CEO Pay and the Lake Wobegon Effect after Improved Compensation Disclosure"

ABSTRACT: Recent CEO compensation growth has been criticized as excessive and disconnected from managerial ability. The "Lake Wobegon Effect" (LWE) suggests that boards, unwilling to signal a weak CEO, match CEO compensation growth with competitors even when their firm underperforms. Following the Compensation Discussion and Analysis (CD&A) rule change that occurred in 2006, I find evidence rejecting the hypothesis that excess compensation is driving recent CEO compensation growth. Total inflation-adjusted median CEO compensation grew by 7.1% per year since the CD&A rule change. However, absolute excess compensation significantly declined post-CD&A, with total CEO pay growth becoming more related to firm fundamentals. Additionally, excess CEO compensation became positively associated with proxies for managerial ability post-2005. This rejects a core requirement for the LWE to affect compensation growth—that firms are overpaying CEOs for "illusory superiority." The evidence suggests that the growth in CEO compensation from the late 2000s through the early 2010s was not due to the LWE.

WORKS IN PROGRESS

"Cross-Sectional Variation in the Bid-Ask Spread Around Earnings Announcements" with Neil Bhattacharya, Bidisha Chakrabarty, and Alina Lerman (data analysis stage)

"Chief Accounting Officers and Firm Efficiency" with Erik Olson and Thomas Steffen (data analysis stage)

PROFESSIONAL LICENSING

2011	Certified Public Accountant (Inactive) License Number: 108199	New York State

PROFESSIONAL EXPERIENCE

2009–2013	KPMG, LLP Senior Associate Asset Management, Audit	New York, NY
2008	KPMG, LLP Accounting Intern Asset Management, Audit	New York, NY

INVITED PRESENTATIONS

January 2018, Financial Accounting and Reporting Section (FARS) Midyear Meeting, Paper: "Managerial Response to Non-Fundamental Price Shocks"

December 2017, Paris Financial Management Conference (PFMC), Paper: "Managerial Response to Non-Fundamental Price Shocks"

June 2017, Society for the Advancement of Socio-Economics (SASE) Conference, Paper: "Intended Benefits and Unintended Consequences of Improved Performance Disclosure"

June 2017, AAA/Deloitte Foundation/J. Michael Cook Doctoral Consortium, Paper: "Intended Benefits and Unintended Consequences of Improved Performance Disclosure"

May 2017, Transatlantic Doctoral Conference (TADC) at London Business School, Paper: "Intended Benefits and Unintended Consequences of Improved Performance Disclosure"

January 2017, Management Accounting Section (MAS) Meeting, Paper: "CFO Co-option, Earnings Targets, and CEO Compensation"

June 2016, Yale SOM Summer Accounting Research Conference, Paper: "Compensation Incentives in Financial Reporting and the CEO's Influence over the CFO," now titled, "CFO Co-option, Earnings Targets, and CEO Compensation"

RESEARCH APPOINTMENTS

Research Assistant for Professor Rick Antle (2017-2018); Professor Kalin Kolev (2015-2017); Professor Alina Lerman (2014-2015); Professor X. Frank Zhang (2013-2014)

TEACHING EXPERIENCE

Teaching Fellow, "Basics of Accounting" – Executive MBA Course – Fall 2016, Professor Kalin Kolev
Teaching Assistant Evaluation (mean): 4.95/5.00

Non-evaluated Teaching Fellow Appointments:

Teaching Fellow, "Empirical Corporate Finance" – PhD Course – Fall 2015 and Fall 2016, Professor Marina Niessner

Teaching Fellow, "Financial Reporting" – Executive MBA Course – Fall 2015 and Fall 2016, Professor Alina Lerman

Teaching Fellow, "Security Analysis and Valuation" – MBA Course – Spring 2015, Spring 2016, and Spring 2017, Professors Matthew Spiegel and Shyam Sunder

Teaching Fellow, "Financial Statement Analysis" – MBA Course – Fall 2014 and Fall 2015, Professor X. Frank Zhang

External Instructor, Syntax Funds/Locus Analytics Analyst Training Program, "Financial Reporting: Understanding the Financial Statements and the Notes to the Financial Statements" – Spring 2016

HONORS AND AWARDS

Yale University Graduate School Fellowship, 2013-2018

Rutgers University, Rutgers Business School, Master of Arts Program 2011 – Class Rank: Top 1.0%

Rutgers University, Rutgers College Class of 2009 – Class Rank: Top 1.5%

Scholarships:
Yale University, Fellowship for Doctoral Studies, 2013-2018
Charles G. Berwind Foundation Fellow, master's degree full scholarship for academic merit, 2010
Richard E. Luhmann Scholarship from Rutgers Business School for academic merit, 2008
Rosalyn Kuchin Scholarship from Rutgers Business School for academic merit, 2007
Charles H. Winfield Scholarship from Rutgers College for academic merit, 2007

REFERENCES

Jacob Thomas (Committee Chair)
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