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Current Position

Hong Kong Polytechnic University 2016 to present
Assistant Professor of Accounting

Education

University of California, Irvine 2016
Ph.D., Accounting

London School of Economics and Political Science 2009
M.Sc., Accounting and Finance

Fudan University 2008
B.Sc., Economics

Research Interests

Corporate Innovation, Intangibles, Financial Analysts, Social Networks

Working Papers

CEO Incentives and New Product Development: Insights from Trademarks (With Lucile Faurel, Devin Shanthikumar, and Siew Hong Teoh)

Abstract: New product development is critical for firms to achieve and maintain growth and performance, and is part of the OECD's definition of innovation. We build a novel dataset of 123,545 USPTO trademark registrations by S&P 1500 firms from 1993 to 2011 to study whether and how CEO compensation risk incentives motivate new product development. Our tests offer evidence on how risk incentives affect the development of new products. We find that the number of trademarks increases with the fraction of compensation in the form of stock options, the convexity of incentives, and unvested stock options, both in low-patent (non-high-tech) and high-patent (high-tech) industries. Using a revised accounting rule, SFAS 123(R), as an exogenous shock, we find that reductions in stock option compensation cause reductions in trademark creation. Overall, the evidence indicates that CEO risk-taking incentives are important drivers of new product development.

Do Analysts Understand Innovation? Evidence from Patents and Trademarks

Abstract: This study examines whether analysts efficiently impound information about innovation into their short-term and long-term forecasts. I use patents to measure technological innovation outputs, and trademarks to measure non-technological product and marketing innovation outputs. Analysts appear to understand that patents increase only long-term earnings growth whereas trademarks increase both short-term earnings and long-term earnings growth. However, their forecasts contain systematic errors. Analysts underreact to the short-term

earnings implications of trademarks, and overreact to the long-term earnings implications of both patents and trademarks. Finally, analysts' short-term forecast errors predicted by trademarks partially explain investor mispricing of trademarks. Collectively, my findings improve our knowledge of whether analysts understand innovation and how analysts' inefficient use of information about innovation affects the stock market valuation of innovation.

The Unintended Effect of Tax Avoidance Crackdown on Corporate Innovation (With Mark Ma and Terry Shevlin)

Abstract:

To constrain the use of intangible assets in tax-motivated income shifting and thus crackdown on corporate tax avoidance, many U.S. state governments adopted addback statutes. Addback statutes require firms to add back intangible-related expenses paid to related parties in other states to the taxable income reported in the state taxable income. The addback reduces the benefits that firms and managers can gain from creating intangible assets such as patents. In this study, we examine the potential unintended effect of addback statutes on corporate innovation. First, we find that the adoption of addback statutes significantly reduces a firm's innovation, measured by the number of patents or patent citations. Second, the "disappeared patents" resulting from tax avoidance crackdown do not seem to be of lower quality than other patents. Third, after a state adopts an addback statute, a firm with material subsidiaries in that state assigns fewer patents to subsidiaries in Delaware, where income generated by intangible assets is free of state income tax. Finally, affected firms do not have lower innovation prior to the adoption of addback statutes. Overall, these findings suggest that the adoption of addback statutes impedes corporate innovation. Our study has important implications for policy makers who are interested in understanding the consequences of policies that constrain tax-motivated income shifting using intangibles and prevent income base erosion.

How Salience of Management Earnings Guidance Affects Forecasting Behavior: Evidence from a Quasi-Natural Experiment on Estimote (With Ben Lourie and Siew Hong Teoh)

Abstract:

In this study, we exploit an exogenous shock implemented by Estimote.com in October 2014 to begin providing management guidance on the platform as a quasi-natural experiment to study how salience of management guidance affects forecasting behavior. The presence of management guidance on the platform increases salience of the guidance. Using a difference-in-differences design, we show that an increase in salience increases the number of Estimote contributors, lowers dispersion of the forecasts, and shortens distance between the Estimote consensus forecast and management guidance. Taken together, our quasi-natural experiment evidence suggests a causal effect of salience of management guidance on analyst forecasting behavior. Past studies on the usefulness of guidance have yielded conflicting evidence because of endogeneity problems. Some studies find positive effects that guidance is informative and reduces information asymmetry and return volatility, whereas others find it increases volatility and crash risk. Our results imply that absent endogeneity, guidance does reduce information asymmetry.

Research Grants

Hong Kong RGC Early Career Scheme Grant	2017
Project Title: Achieving Human Capital Synergies: Inventor Collaborative Connections and M&A Performance	
Fund Approved: \$462,994	

Project Duration: January 1, 2018-December 31, 2019

Hong Kong RGC General Research Fund Grant 2018
Project Title: Corporate Bond Market Attention to Strategic Timing of Bad Earnings News
Fund Approved: \$338,580
Project Duration: January 1, 2019-December 31, 2020

Don Beall Center for Innovation and Entrepreneurship Innovation Research Grant 2013, 2014

Awards

CalCPA Ph.D. Scholarship 2013, 2014
Fudan University Merit-based Scholarship 2004-2007

Professional Activities

Contemporary Accounting Research (Ad Hoc Reviewer)
Journal of Accounting, Auditing, and Finance (Ad Hoc Reviewer)
Journal of Law, Finance and Accounting (JLFA) Conference (Ad Hoc Reviewer)

Presentations

2019: Hawaii Accounting Research Conference (Presenter and Discussant)
2018: International Conference in Accounting, Finance, Economics and Law (Discussant)
2017: Nanjing University, Financial Intermediation Research Society (FIRS) Conference (Discussant)
2016: AAA Annual Meeting (Presenter), Hong Kong Polytechnic University, California State University, Fullerton, George Washington University, Florida International University, National University of Singapore
2015: AAA Miami Rookie Camp (Presenter), Haskell & White Corporate Reporting & Governance Conference (Presenter), AAA Annual Meeting (Presenter), MIT Asia Conference in Accounting (Presenter), UC Riverside (Co-presented with Professor Siew Hong Teoh), UC Irvine Brownbag Series & Fall Accounting Workshop (Presenter), AAA Western Region Meeting (Presenter), FARS Midyear Meeting (Discussant)
2014: Santa Clara University (Co-presented with Professor Siew Hong Teoh), AAA Annual Meeting (Discussant), AAA Western Region Meeting (Presenter)
