



In Search of the Elusive Secrets of Success

by T.D. Christensen

THIS DISTINGUISHED CHAIR SEEKS

• **THE ESSENCE OF SOUND JUDGMENT AND GOOD LUCK IN FINANCE.**



Financial success in business often boils down to having a great product, a sound strategy and a well-oiled operation.

But Vikram Nanda is on a mission to uncover the missing ingredients – small-but-important details like “How cocky is the CEO?” or “Do banks trust women executives more than men?”

“It turns out things like personality and gender really do matter,” says Nanda, the O.P. Jindal Distinguished Chair in Finance. “You can’t just choose to hire a random Mr. X just because he makes good decisions.”

Figuring out the secret sauce in finance has been the core question in Nanda’s research, which runs the gamut from initial public offerings to hedge funds to corporate salaries.

A native of India, Nanda started out in electrical

engineering, graduating from the Indian Institute of Technology in Kanpur and working for the Dutch electronics giant Philips. His thirst for knowledge led him to earn an MBA at Yale and a PhD in finance at the University of Chicago. A sense of curiosity fueled a journey that took him to positions at Rutgers University, Georgia Tech, Arizona State University, the University of Michigan and the University of Southern California.



“I was trying out different alternatives,” he says with a chuckle about his far-flung academic trajectory. “I got to see a lot of geographic areas of the U.S.”

Along the way, he served as associate editor

Dr. Hobson Wildenthal, then UT Dallas president *ad interim*, recognized Nanda's investiture with a University medallion.



At his investiture in March 2016, Nanda said he was grateful to be at the University.



at the *Journal of Finance Research* and co-wrote the book *Finance for Strategic Decision-Making* (San Francisco: Jossey-Bass, a Wiley Imprint, 2004) with M.P. Naryanan of the University of Michigan. Nanda also has authored or co-authored

papers in more than a dozen publications, including *The Review of Financial Studies*, *Journal of Financial Economics* and *The Journal of Finance*, where his articles were twice nominated for the Smith Breeden Prize.

In recent years, he has researched "overconfident" CEOs, a breed of risk-taking executive that tends to spark innovation — as well as lawsuits and flops.

"And what we found is you can get the best of both worlds by improving the governance of these overconfident CEOs. Once you do that, the CEOs actually start making better decisions," he says.

He also is fascinated with luck and the precarious role it plays in the world of top-level management. Nanda says the question of good fortune versus skill has puzzled everyone from business execs to military leaders like Napoleon Bonaparte, who once asked, "I know he's a good general, but is he lucky?"

"Is it the managers' ability and credibility that makes them succeed? Or are they just lucky at the right time?" Nanda says. "It's very hard to tell which one it really is."

Nanda found more concrete answers while studying the ways in which women in leadership roles impact a company's finances. He said research shows female execs tend to be more financially trustworthy, less interested in quick profits and more interested in a firm's long-term success than their male counterparts.

"It's surprising, but with more women on board, banks are willing to lend money at slightly lower rates," he says. "It affects stock prices and bond prices ... it's fascinating."

Going forward, Nanda wants to research the financial impact of Glassdoor, a fast-growing website where current and former employees anonymously review companies and their management. He also plans to examine financial technology, or "fintech," and the affect it has on companies' bottom lines.

"Clearly, fintech is going to make information flow better. But at the end of the day, I'm not sure it will change things that much, even though a lot of people think it's going to," he says.

When he is not busy researching, teaching and serving as a PhD coordinator for the Finance and Managerial Economics Area, Nanda loves to explore the local dining scene with his wife, Nandini, and their 12-year-old daughter, Devika.

"Dallas has a huge variety of restaurants, and we like to eat out four or five times a week. A huge part of the family budget seems to go into it," he says.

Four years after arriving in Texas, Nanda says he is still in awe of the state's wide-open spaces. He takes a similar view of UT Dallas and its room for growth.

"At older institutions, it's virtually impossible to change the culture. But being a younger place, you get to be flexible and set your own culture, which is a real positive," he says.

"We have good students and a well-developed business school, and in the time I've been here, I've seen it steadily getting better and better," Nanda says. "It's a gradual process, but I think the department and the University are moving in the right direction." ✦

Nanda, in "civilian clothes" at his investiture



IT TURNS OUT THINGS LIKE PERSONALITY AND GENDER REALLY DO MATTER.

-VIKRAM NANDA