

## H. Shawn Mobbs

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### ACADEMIC INTERESTS

- Research: corporate finance, corporate governance and executive compensation
- Teaching: corporate governance, corporate finance, capital markets and investments

### EDUCATION

- PhD in Finance, Owen Graduate School of Business, Vanderbilt University (expected in May 2008)
- MBA with an emphasis in Finance, Terry College of Business, University of Georgia, 2003 (Honor graduate)
- MS in Electrical Engineering, Georgia Institute of Technology, 1994
- Bachelor in Electrical Engineering with a certificate in Economics, Georgia Institute of Technology, 1993 (Highest Honors)

### ESSAYS IN THE DISSERTATION

- **Are Some Inside Directors Valuable?** (September 2007, Accepted for FMA Annual Meeting special Ph.D. session, Orlando, 2007)

Abstract: There are two opposing views on the role of inside directors on corporate boards. One focuses on the valuable information-sharing role and the other views inside directors as a by-product of influential CEOs. Both of these views treat inside directors as a homogenous group. I use the external labor market for directorships to distinguish among inside directors. Inside directors who hold an outside directorship, referred to as independent insiders, are more likely when firm specific information is important, as theory predicts, and not as likely when the CEO is more influential. These inside directors are also associated with better firm performance and higher market-to-book ratios, especially when firm-specific information is critical. I also find evidence that independent inside directors add incremental value to boards with a separate CEO and chairperson, where the board is in greater need of more firm-specific information. Moreover, when an independent inside director departs shareholder wealth decreases. These findings illustrate the importance of the external labor market for directorships in identifying one type of valuable inside director. In addition, recognizing that inside directors are not homogeneous brings some harmony to the differing views of inside directors.

- **CEO's Under Fire: Pressure From Within, Inside Directors, CEO Compensation and CEO Turnover** (September 2007)

Abstract: Are non-CEO inside directors associated with greater CEO power or does their presence weaken the CEO's power relative to the board of directors? While it is often presumed that inside directors give CEOs greater power, there is little evidence on the costs

and benefits of having non-CEO inside directors. To address this question, I use the external labor market for directorships to identify valuable non-CEO inside directors and then separately examine operating officers subordinate to the CEO and those inside directors with greater authority, such as a separate inside chairperson. I find inside operating officers (chairpersons), who hold an outside board seat, are associated with increases in CEO turnover sensitivity to accounting (market) performance and greater sensitivity of CEO compensation to stock performance (lower CEO total compensation). The results are consistent with highly skilled and more independent executives increasing the pressure on the current CEO to perform, rather than helping to entrench a CEO. Consistent with the presumption that inside directors with outside directorships are highly talented, I find that they are more likely to become CEO at their own firm or at another firm, than are other non-CEO inside directors.

- **Internal Financial Expertise on the Board** (June 2007)

Abstract: This essay examines the importance of granting the CFO a board seat rather than occasionally having them share information with the board of directors. There are several reasons why having a CFO on the board could enhance board deliberations. First, a board seat obliges the director to a greater fiduciary duty to act in the interest of shareholders. Second, it allows for a closer relationship between the CFO and the outside directors and greater CFO credibility, which leads to greater information transfers. Empirically, I find that when a firm appoints their CFO to the board, the announcement effect is positive and significant. The appointment of the CFO to the board is associated with significantly greater changes in leverage, especially in the first year of the appointment. Having the firm's CFO on the board is also significantly associated with greater operating performance and increases in the number of business segments over the subsequent two years relative to a matched sample of firms not having a CFO on the board. Lastly, when the CFO first joins the board, the firm is more likely to have significant M&A activity. These results are consistent with the CFO being appointed around periods of major asset restructuring and fund raising activity. This evidence supports the hypothesis that firms adapt their boards to meet their strategic needs.

## **WORKING PAPERS**

- **Tournaments, Heirs, and Organizational Structure** (joint with Charu Raheja, September 2007, Accepted for the FMA Annual Meeting, Orlando, 2007)

Abstract: This paper studies firm organizational structure and its effect on senior management compensation and firm performance. Executive compensation, board membership and firm titles are used to identify firms running tournaments to determine CEO succession (flat organizational structures) and firms having an heir apparent (hierarchies). Initial analysis shows that firm, management, and industry characteristics help explain firm choices of these two organization structures. Greater board independence, recent M&A activity and intensity of industry competition all increase the likelihood of a flat organizational structure. In contrast, service industries, where soft information is important, are associated with a higher likelihood of a hierarchical structure.

Consistent with hierarchical firms requiring more managerial incentives (to substitute for the lack of competition), an heir apparent in hierarchical firms typically receives a higher proportion of equity compensation as compared to second-in-command managers at firms with flat organization structures. At the same time, the difference in compensation between the heir apparent and the top managers in hierarchical firms is higher than the overall difference in compensation between the second-in-command managers and other senior

managers in flat organizations. CEO total compensation is also higher in heir apparent firms. Together, higher CEO compensation and a higher gap in compensation between the heir and other senior managers, suggests the possibility that the heir and CEO are entrenched, especially if the CEO is far from retirement age and the heir does not expect imminent CEO succession. We test this hypothesis and find a negative relation between a hierarchical organization structure and firm performance when a CEO is less than 60 years old.

## **TEACHING EXPERIENCE**

- **Teaching**  
Corporate Governance, MBA course, Spring 2007, Fall 2007  
Instructor Evaluation: 4.1 out of 5
- **Teaching Assistance**  
Mergers and Acquisitions, for Professor Ronald Masulis, MBA course, Fall 2006  
Law & Finance of Mergers and Acquisitions, for Professor Ronald Masulis, Law course, Fall 2006  
International Finance (undergraduate) for Dr. Jim Linck, 2002, Terry College of Business, University of Georgia  
Introduction to Finance (MBA), for Dr. Jim Linck, 2003, Terry College of Business, University of Georgia

## **AWARDS**

- Owen Graduate Fellowship/Stipend and Tuition Award, 2003-present
- University Graduate Fellow Award, 2003-2007
- Graduate Assistantship, University of Georgia, 2001-2003
- Harry J. Baker Merit Scholarship, University of Georgia, 2001-2003
- Air Force R.O.T.C. scholarship, Georgia Institute of Technology, 1988-1993

## **ACADEMIC ACTIVITIES**

- Presenting “Are Some Inside Directors Valuable?” at the Doctoral Consortium and at the Special Ph.D. Session at the FMA Annual Meeting, Orlando, 2007
- Invited Participant, Doctoral Consortium, FMA Annual Meeting, Orlando, 2007
- Referee, *Financial Management*

## **PHD AND MASTERS LEVEL COURSE WORK IN FINANCE**

- **PHD Courses**  
Empirical methods in corporate finance, Corporate Financial Theory: Venture Capital and Initial Public Offerings, Corporate Governance, and Executive Compensation, Stochastic Processes, Asset Pricing, Advanced Financial Theory, Mathematical Economics, Microeconomics I and II, Macroeconomics, Econometrics I and II, Time-Series Econometrics, Non-Parametric Econometrics, Industrial Organization and Control I and II

- **MASTERS**

Owen Graduate School of Management:

Advanced Derivative Securities Valuation, Venture Capital, Law and Finance of Equity Markets, Financial Statement Analysis, Financial Data Analysis (SAS)

Terry College of Business:

Introduction to Finance, Corporate Valuations, Investments, Financial Engineering, Advanced Speculative Markets, International Finance, Corporate Theory, Corporate Control Mergers and Acquisitions

## **WORK EXPERIENCE**

- FedEx, Financial Analyst, Corporate Financial Planning, 2002
- Procter and Gamble, Manager/Engineer, Supply Chain/Control Systems, 1998-2001
- United States Air Force, Captain, Global Positioning System Analyst, 1994-1998

## **AIR FORCE PUBLICATIONS**

- “Operational Use of the Hadamard Variance in GPS,” *Precise Time and Time Interval (PTTI) 1996 Proceedings* with J. Buisson, J. Crum, S. Hutsell, and W. Reid
- “Refining Monitor Station Weighting in the GPS Composite Clock,” *Precise Time and Time Interval (PTTI) 1997 Proceedings*, with Steven T. Hutsell
- “The Impact of Operating GPS with More Rubidium Frequency Standards,” *The Institute of Navigation 1998 Proceedings*, with David Crater

## **DISSERTATION COMMITTEE**

- Ronald Masulis (chair), Frank K. Houston Professor of Management  
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- Hans Stoll, The Anne Marie and Thomas B. Walker Professor of Finance  
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- William Christie, Frances Hampton Currey Professor of Management, Professor of Law  
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- Paul Chaney, Professor of Management (outside member, accounting)  
Phone: (615)-322-2685 E-mail: [Paul.Chaney@owen.vanderbilt.edu](mailto:Paul.Chaney@owen.vanderbilt.edu)
- Charu Raheja, Assistant Professor of Finance (Wake Forest University)  
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