

September, 2007

Gönül Çolak

*Florida State University
The College of Business
Department of Finance
Rovetta Business Bldg., Room #522
821 Academic Way
Tallahassee, FL 32306-1110
Phone: (850) 645-1521
E-mail: gcolak@cob.fsu.edu
Personal Home Page: <http://webs.wichita.edu/gcolak/>*

Education:

Ph.D. in Finance, May 2004, University of Iowa, Iowa City, IA
Dissertation Committee: Toni M. Whited (chair), Matthew T. Billett, Thomas A. Rietz,
Paul A. Weller, Charles H. Whiteman

M.S. in Economics, 2001, University of Iowa, Iowa City, IA

B.S. in Electrical and Electronics Engineering, 1998, Bilkent University, Turkey

Appointments:

FREDS Departments, Wichita State University, Assistant Professor, August 2004-present.

Areas of Interest:

Research: Corporate Diversification, Initial Public Offerings, Financial Econometrics,
Investments.

Teaching: Investments, Corporate Finance, Futures and Options, Security Analysis.

Publications:

“Spin-offs, Divestitures, and Conglomerate Investment,” with Toni M. Whited, *Review of Financial Studies* 20 (2007): 557-595.

“Cycles in the IPO Market,” 2007, with C. Yung and W. Wang, forthcoming in *Journal of Financial Economics*.

Working Papers:

“Diversification, Refocusing, and Firm Value,” second round in *European Financial Management*.

In the corporate markets there are companies that are diversifying, refocusing, or doing neither. The reasons behind the diversification decision and its effect on the firm’s value are a well-researched subject. However, the factors affecting a firm’s refocusing decision and its effect on firm valuation have not been investigated in detail. I estimate the factors affecting diversifying and refocusing decisions using a model of multiple choices. For a sample of diversifying and refocusing firms, between the years 1989 and 1998, I find that diversification occurs generally due to factors associated with industry and economic conditions, and refocusing primarily due to firm-specific reasons. In addition, I explicitly model and estimate refocusing and diversification effects on excess value in the same valuation equation. This allows for inclusion of all firms – diversifying, refocusing, and single segment – in the sample and thus, eliminates the concern of possible sample selection bias. Including refocusing as an explanatory variable in the valuation equation, together with diversification, is analogous to estimating a multiple regression versus a simple regression. I eliminate simultaneity bias in the parameter estimates of the valuation equation through the utilization of 2SLS. I find no evidence of a “diversification discount” or a “diversification premium.” Using different measures of diversification does not change this result. The effect of refocusing is also insignificant.

“The Effect of Measurement Error in q on Cash Flow Sensitivity of Cash,” 2004

The paper investigates the issue of cash flow sensitivity of cash for constrained and unconstrained firms when one corrects for the measurement error in Tobin’s q . A recent study by Almeida, Campello, and Weisbach (2003) finds that for financially unconstrained firms, the level of cash flow does not significantly influence the cash holding policies of a firm. They note that the previously documented high measurement error in q proxies – by Erickson and Whited (2000) in the context of investment- q literature – will not affect their results. Through an empirical investigation, I demonstrate that this error is high and significant enough to affect the reported results and thus, rendering the analysis of cash savings’ sensitivity to cash flow, when q is used as an explanatory variable, questionable. This result shows that the measurement error in q is a factor in cash-cash flow regressions as well. Moreover, my measurement-error-consistent estimation results show that higher levels of cash flow significantly *decrease* a firm’s demand for liquidity. This suggests that high cash flow can in effect be a *substitute* for cash and thus, can diminish the importance of holding cash reserves.

Work in Progress:

“Co-movements in Waves,” 2005 (with C. Yung).

“The Preferred Habitats of Holders of Canadian and U.S. Sub-National Debt,” 2007 (with B. Hildreth).

“Does the Errors-in-Variables Model Matter in Estimation of the Determinants of Capital Structure,” 2003.

Teaching Experience:

Wichita State University, FREDS Department, Instructor, *Futures and Options Markets*, Fall 2004, Fall 2005, Spring 2006, Spring 2007.

Wichita State University, FREDS Department, Instructor, *Investments*, Fall 2005, Fall 2006.

Wichita State University, FREDS Department, Instructor, *Risk Management with Futures and Options*, Spring 2005, Fall 2006.

Wichita State University, FREDS Department, Instructor, *Financial Management II*, Spring 2005, Spring 2006, Spring 2007.

Wichita State University, FREDS Department, Instructor, *Financial Management I*, Fall 2004

University of Iowa, Department of Finance, Instructor, *Corporate Finance*, Summer 2004

University of Iowa, Department of Finance, Instructor, *Investment Management*, Spring 2004, Fall 2003.

University of Iowa, Department of Finance, Instructor, *Introductory Financial Management*, Summer 2002, Summer 2001.

Presentations:

“Cycles in the IPO Market”

SUNY Buffalo, February 2007.

Florida State University, January 2007.

George Mason University, January 2007.

“*Top-Ten Percent*” session at the *FMA Conference in Salt Lake City*, October 2006;

University of Kansas, September 2006;

FMA Europe Conference in Stockholm, June 2006;

University of Nebraska, February 2006.

“The Preferred Habitats of Holders of Canadian and U.S. Sub-National Debt”

Western Social Sciences Association, Calgary, Canada, April 2007.

“Spin-offs, Divestitures, and Conglomerate Investment.”

University of Iowa, November 2003;

Virginia Tech, January 2004;

York University, February 2004;

Wichita State University, April 2004.

“Diversification, Refocusing, and Firm Value.”

University of Iowa, April 2003;
Wichita State University, April 2005;
FMA Europe Conference in Stockholm, June 2006.

“The Effect of Measurement Error in q on Cash Flow Sensitivity of Cash”, 2004

International Conference on Business Management and Economic, Çeşme, İzmir,
Turkey, June 2006.

Membership:

American Finance Association
The Society for Financial Studies
Financial Management Association

Referee Work:

Finance Research Letters, Municipal Finance Journal

References:

Toni M. Whited, University of Wisconsin, twhted@bus.wisc.edu, (608) 262-6508

Paul A. Weller, University of Iowa, paul-weller@uiowa.edu, (319) 335-1017

Chris Yung, University of Colorado, Boulder, chris.yung@colorado.edu, (303) 492-7437