Dr. Chenguang Shang is an associate professor of finance at the Suffolk University Sawyer Business School. Recently, Dr. Shang published a study in the Journal of Business Ethics, which is considered a very premier academic journal in business. So today let's find out more about Dr. Shang's research.

What would you say would be, you know one or two main takeaways that you would like to give to non-academics? So either practitioners or regulators, like what do you think would be the biggest takeaway for them?

I think governance is an incredibly important consideration that's not limited to academia, not limited to finance, it goes way beyond that. But I think when people think about governance oftentimes what comes to mind is formal governance like the law, regulation or some sort of monitoring committee. But our research along with several other studies in the literature suggests that informal governance mechanisms such as social norms are actually quite effective in disciplining people's behavior.

So it's my hope that our research can provide people regardless of what area they're in with an alternative way of thinking about governance. To me, it all starts with the research topic and I think as researchers, we should always ask ourselves whether this research question is important or whether this topic is of interest to a broad audience, whether the result carries significant policy implications. You know, I'm not suggesting that a good topic will guarantee the paper getting accepted by a top tier journal, but I think it's a crucial first step. And another interesting finding to me is that there is also a displacing effect. So we find that financial advisors after they have committed misconduct they're more likely to move out of their current location and to a place with lower social capital. So this results suggests that once financial advisors have violated social norms, they're more likely to be forced out of the local labor market.
Now that we already have all this evidence of potential benefits of social capital, I think we can think about what we can do to build social capital to restore trust. Because the problem is that social capital has been declining in the US over the last few decades. So how can we change that trend? So I think there's a lot for researchers and for policy makers to think about. You can think of social capital as a set of social norms widely accepted by individuals living in a given area. So generally speaking, people living in high social capital areas are considered more trustworthy, more honest. They're less likely to pursue private benefits at the cost of other parties involved in economic transactions, so they're less likely to cheat. So in this paper, we try to understand whether social capital, which is an environmental factor can affect the behavior of financial advisors. So we find a deterrent effect.