

PROMOTION RECOMMENDATION

The University of Michigan
Stephen M. Ross School of Business

Reuven Lehavy, Assistant Professor of Accounting, Stephen M. Ross School of Business, is recommended for promotion to Associate Professor of Accounting, with tenure, Stephen M. Ross School of Business.

Academic Degrees:

1997	PhD	J.L. Kellogg Graduate School of Management, Northwestern University
1995	MS	J.L. Kellogg Graduate School of Management, Northwestern University
1989	BA	University of Haifa, Haifa, Israel

Professional Record:

2002-Present	Assistant Professor of Accounting, Stephen M. Ross School of Business at the University of Michigan
1996-2002	Assistant Professor of Accounting, Walter A. Haas School of Business, University of California, Berkeley

Summary of Evaluation:

Teaching: Professor Lehavy's teaching performance is excellent. He has taught Financial Statement Analysis, an advanced accounting elective, to both undergraduates and MBA students. His overall average course evaluation for undergraduates was 4.40/5.00; for MBA students was 4.85/5.00. Because of the applied nature of this material and because it is the area's capstone class, Financial Statement Analysis is typically one of the more difficult classes to staff, both at Michigan and nationally. He also contributes to the school by developing course materials, which he freely shares with our faculty as well as faculty from other universities. In addition, Professor Lehavy served as a director of the executive education class "Theory and Practice of Investor Relations" this past summer and was a clear success. It is rare for an assistant professor to be so successful with both MBA students and in executive education as well.

Scholarship: Professor Lehavy is one of the brightest scholars in accounting. He is best known for his work that studies the output of financial analysts: their earnings forecasts, stock recommendations and price targets. He was one of the first people to note that an analyst forecast error is not only a function of the analyst's forecasting ability but is also significantly influenced by management's effort to manipulate reported earnings so as to meet or beat the forecast. This work has been published in top journals and also has featured in all the major newspaper and business magazines. He has developed and tested a framework that takes into account all the players in providing an analyst's forecast. The framework also allows for the inter-temporal development of the game, as firms balance many small upward earnings manipulations to beat analyst forecasts with large downward manipulations when they miss the forecasts by a large amount.

Professor Lehavy's work studying analyst stock recommendations and price targets also turns the focus on the valuation implications of analysts' activities. For instance, one of his more important papers finds that changes in analysts' price targets (i.e., the value estimate contained in the analyst's report) predict changes in future stock prices. Because of the paper's insight into the connection between analysts' behavior and investors' behavior, it was nominated for the prestigious Smith-Breeden prize in the Journal of Finance. Professor Lehavy has clearly established himself as one of the leading authorities on

securities analysts and their role in the equity markets. Professor Lehavy has eight papers published in “A” level journals, and has two other minor publications. He also has three working papers and a healthy pipeline of other research projects in various stages of development.

Service: Professor Lehavy has been involved in the University of Michigan Ph.D. program by participating in doctoral oral exams, advising and commenting on research proposals, and supervising an accounting Ph.D. student who serves as his research assistant. He also serves as an external dissertation committee member.

Significant and Recent Publications:

Brav, A., Lehavy R., and Michaely R. Using expectations to test asset pricing models. *Financial Management*, pages 5-37, Autumn 2005.

Abarbanell, J., Lehavy, R. Can stock recommendations predict earnings management and analysts’ earnings forecast errors? *Journal of Accounting Research*, Vol. 41, No. 1, 1-31, 2003.

Abarbanell, J., Lehavy, R. Biased forecasts or biased earnings? The role of reported earnings in explaining apparent bias and over/underreaction in analysts’ earnings forecasts. *Journal of Accounting and Economics*, 36, 105-146, 2003.

Brav, A., Lehavy, R. An empirical analysis of analysts’ target prices: Short-term informativeness and long-term dynamics. *The Journal of Finance*, Vol. LVIII, No. 5, 2003.

Barber, B., Lehavy R., McNichols, M., Trueman B. Can investors profit from the prophets? Security analyst recommendations and stock returns. *The Journal of Finance*, Vol. LVI, No. 2, 2001.

Barber, B.M., Lehavy, R., Trueman, B. Comparing the stock recommendation performance of investment banks and independent research firms. *Journal of Financial Economics*, In Press.

External Reviewers:

Reviewer (A): “Reuven has a solid research record that compares favorably with other top scholars in accounting in his approximate peer group. His future potential is high. He appears to be an excellent teacher. I think this is a solid case for promotion to Associate Professor with tenure at the University of Michigan and I recommend this promotion without reservation.”

Reviewer (B): “Based on my prior reading of Reuven’s work and a review of his file, I recommend that Professor Lehavy to promoted to the rank of Associate Professor with tenure at the University of Michigan. I think his track record evidences excellent performance in scholarship, as well as the development of a national reputation as a leading scholar in his areas of expertise.”

Reviewer (C): “From the research in his pipeline he is exploring relations between firm’s management of individual components of earnings and analysts errors made when forecasting these components. It is clear to see that he is neither short of ideas nor lacking co-authors that consistently team with him. His teachings have already been recognized by the number of awards he has won. I strongly support a promotion to associate professor of accounting with tenure for Roby. I am confident that other schools will offer him tenure because of his strong research and teaching record. He is a great asset to the Ross School and you should make every effort possible to keep him.”

Reviewer (D): “My overall assessment, based exclusively on his research, is that he has been productive and has made several valuable contributions to our understanding of the performance and behavior of sell-side financial analysts. His papers have been published in the leading accounting and finance

journals and have been well-cited. Your letter requested that I judge whether Reuven would be promoted at my school. This is difficult to assess since we promote to tenure at the full professor level... However, I believe that his research record is comparable to that of other scholars in accounting who have been promoted to associate professor with tenure at leading schools.”

Reviewer (E): “My overall impression of Professor Lehavy’s scholarly work is very positive. He has worked with a variety of collaborators and compiled a strong track record. I count seven top-tier publications, as well as several smaller pieces. The range of topics spans an interesting set of problems in accounting and finance. He also has good external visibility; his is among the better-recognized names in empirical accounting.”

Reviewer (F): “I have read some of his research and find it to be uniformly of high quality. The questions asked are interesting and cover a wide range of subjects, and the investigation is careful. Roby’s well-stocked pipeline of working papers and work in progress suggest that he will continue to be a productive research. He is energetic and curious, two attributes that augur well for the future. I recommend the appointment.”

Summary of Recommendation:

Professor Lehavy is one of the best young scholars in the field of accounting and the case for granting him tenure is strong. Professor Lehavy’s research productivity has been recognized twice; he received the Bank One Chair and the Auerbach Fellowship. In addition, Professor Lehavy’s ability and potential have been noticed by other schools; he has recently presented papers at Columbia, Carnegie Mellon, the University of Chicago, MIT, the University of North Carolina and Northwestern. He also maintains a high profile more broadly, having made invited presentations at the Federal Reserve Bank/Journal of Financial Economics Conference, The Journal of Accounting and Economics Conference, the NBER Behavioral Finance Conference and multiple presentations at the national meetings of the American Accounting Association. Outside reviewers are very enthusiastic about his work. I am pleased to recommend, with the enthusiastic and unanimous support of the Executive Committee, that Reuven Lehavy be promoted to associate professor of accounting, with tenure, in the Stephen M. Ross School of Business.



Robert J. Dolan, Dean
Stephen M. Ross School of Business

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