

## RESEARCH PROJECTS

### The Effect of Non-audit Services on Audit Quality

- ✉ FERGUSON Michael John • YOUNG Danqing
- ☐ 1 December 2000
- ❖ CUHK Research Committee Funding (Direct Grants)

The joint provision of nonaudit services (NAS) to audit clients has grown substantially in recent years. This has led to growing concern by regulators and others over its impact on audit quality. Underlying these concerns is the assertion that the increased economic bond between auditor and client may reduce auditors' willingness to challenge management's financial statement assertions thereby reducing the quality of the financial report. Little empirical evidence on the effect of NAS on audit quality, however, exists due to the lack of publicly available information. This study draws on recent legislation in the United Kingdom requiring disclosure of fees paid to the auditor for both audit and nonaudit services to examine these relationships. Specifically, the researchers first examine the relationship between joint provision of NAS and audit quality, as measured by the client's ability to manage earnings via discretionary accruals. If joint provision of NAS reduces auditors' willingness to challenge questionable accounting practices, a positive relation between client discretionary accruals and the level of NAS should be observed. They then examine the relationship between the joint provision of NAS and perceived audit quality, as measured by the associations between reported earnings, the firm's stock returns and NAS level. If joint provision of NAS impairs perceived audit quality, the level of NAS should have a negative (interactive) effect on the relation between reported earnings and stock returns. This study contributes to research and theory on audit quality and earnings management and will also serve to inform current debate on these issues. (BS00608)

### A Comparison of the Value-relevance of Chinese GAAP versus IAS Accounting Measures: The Case of B-shares and H-shares

- ✉ HAW In-mu • QI Daqing • WU Yuwu Woody
- ☐ 1 December 2000
- ❖ CUHK Research Committee Funding (Direct Grants)

This project compares the market valuations of financial reporting disclosures prepared under the People's Republic of China Accounting Standards (PRC-GAAP), International Accounting Standards (IAS) and Hong Kong Accounting Standards (HK-

GAAP). Based on B- and H-shares of cross-listed Chinese firms available only to foreign investors, the researchers will provide answers to three fundamental research questions:

- (1) Do the financial reports prepared under the International Accounting Standards (IAS) and Hong Kong Accounting Standards (HK-GAAP) provide incremental (and relative) information content over those of PRC-GAAP?
- (2) Are the financial reports of listed Chinese firms prepared under PRC Accounting Standards (PRC-GAAP) value-relevant to foreign investors of B-and H-shares? And
- (3) Is the role of financial information in China's emerging stock market different from that in a mature stock market such as the Hong Kong Stock Exchange?

This project is the first to address these issues, especially in an emerging capital market. Therefore, it will provide useful inputs into the recent worldwide efforts to harmonize accounting standards and the current debate between the U.S. Securities and Exchange Commission (SEC) and the New York Stock Exchange (NYSE) on whether the SEC should permit equity listings in the U.S. for foreign firms that have adopted IAS without a U.S.- GAAP reconciliation. Moreover, it will also enhance our understanding of the role of accounting information in the process of valuing a firm in the emerging capital market of China and the more mature market of Hong Kong. (BS00867)

### Family Control, Corporate Governance and Firm Performance

- ✉ HO Shun Man Simon • CHAN Siu Yeung\*
- ☐ 1 January 2001
- ❖ CUHK Research Committee Funding (Direct Grants)

While separation of ownership and control is the predominant form of corporate governance in the UK and the US, most large Hong Kong (and south-east Asia) listed companies are owned and managed by a family. Although family structure may enable these firms to do better especially at the early life since their establishment, once their control is protected, the controlling family would tend to pursue activities that may expropriate minority shareholders' interests for self-gains (i.e. a tendency of managerial entrenchment), leading to lower performance. The major attributes of family-control type of business environment found in Hong Kong include: concentrated ownership by individual or families, family members as senior executives and board directors, "relationship-based" business activities, minimal requirements of public disclosure, lower transparency of firms, lower effectiveness of the board and its outside directors, and relatively weak

minor shareholder protections. However, there have been few empirical studies examining the effects of family control and other corporate governance attributes on corporate performance.

The objective of this proposed study is twofold. First, it aims at investigating the relationship between family control and firm performance. In particular, in view of the agency perspective, it examines whether non-family controlled companies perform worse than those family controlled firms with a lower shareholding or those firms with high family shareholding. Second, it examines the moderating (and monitoring) effects of certain corporate governance attributes (such as board structures) on the relationship between family control and firm performance to see whether stronger corporate governance would mitigate entrenchment effects and thus improve firm performance. These moderating factors include the ratio of independent non-executive directors to total directors on board, the percentage of board members held by the largest family, the existence of second largest family on the board, the existence of at least two institutional investors on the board, the percentage of non-family-member managers on the board, the existence of an outside blockholder (>10% shareholding), the existence of an audit committee, and whether CEO or board chairman is not a member of the largest family.

The findings can improve the generalizability of some previous results and provide important insight into the debates surrounding the topic. They will also contribute to better understanding of the effectiveness of some corporate governance structures and offer help to policy makers in Hong Kong (and perhaps other south-east Asian countries) to implement more effective policies to protect minor shareholders.

(BS00500)

---

### **An Empirical Examination of Value Chain Analysis Implementation in the U.S. vs HK Companies**

✉ HWANG Nen Chen

□ 1 December 2000

❖ CUHK Research Committee Funding (Direct Grants)

In today's global business environment, companies face significant competition and are under tremendous pressure to improve their productivity. To cope with these challenges, corporate managers have gradually become more customer-driven and have focused on delivering quality products at competitive prices. In the past decade, many management tools have been introduced and implemented to improve operational efficiency and to enhance corporate competitiveness. Of these tools, Porter suggests that the value chain analysis, which involves "disaggregating a firm's operations into strategically relevant activities in order to understand

the behavior of costs and potential sources of differentiation," can be an effective means of optimizing the use of limited resources. Many researchers have expanded upon Porter's framework to explain how value chain analysis can be an important managerial tool.

The purpose of this study is twofold. The researchers will first examine the cost distribution among value chain activities between companies in the United States and Hong Kong. Then, the relationship between percentages of operating costs for each activity and the degree of cost tracing for that activity within firms' existing cost structures, particularly for upstream activities, among companies in both economies will be investigated. It is expected that the evidence of this study will demonstrate significant differences in cost systems of companies in these two regions under value chain framework. It is also anticipated that the U.S. firms would invest more of their resources in upstream activities than have their Hong Kong counterparts. Moreover, the results may also support a link between the percentages of cost and degrees of cost tracing, particularly for upstream activities.

(BS00577)

---

### **Determinants of Audit Fees for Hong Kong Companies - Influence of Auditee's Corporate Governance Factors**

✉ KWONG Kok Shi • LEUNG Kwan Lap Victor • LAM Chee Keung

□ 1 December 2000

❖ CUHK Research Committee Funding (Direct Grants)

In this study the researchers study the effect of corporate governance on audit pricing in Hong Kong. A study of the relationship between audit pricing and corporate governance is interesting, and, to the best of their knowledge, has never been done before.

Testing in Hong Kong is especially interesting for two reasons. First, audit fees data are disclosed in Hong Kong but it is not a disclosure items in many other countries (such as the United States). Second, as have been argued by many researchers, there are few alternative mechanisms, e.g. hostile takeovers, that can counteract the effects of corporate governance features in Hong Kong, the effects of these corporate governance features may be more significant than those in other developed countries.

(BS00320)

---

### **The Effects of Clients' Corporate Governance and Management Integrity on Audit Qualifications: An Empirical Study in Hong Kong**

✉ LAM Chee Keung • HO Shun Man Simon • FERGUSON Michael John • ZHOU Yuqing (Dept of Finance)

- 8 September 2000
- ❖ Research Grants Council (Earmarked Grants)

The objective of this project is to investigate whether auditors are sufficiently sensitive to client's corporate governance and management integrity in their opinion qualification processes. Extant papers on audit qualifications are concerned with how financial variables can be better employed to predict auditor's issuance of qualified opinions. However, there is as yet any paper addressing how corporate governance and management integrity are related to this process. This project attempts to fill this knowledge gap by using recent Hong Kong data for analysis. The recent Asian financial crisis has created a rich set of Hong Kong firms with qualified reports. An estimated 10% of its listed companies received fundamentally qualified opinions in their 1998 financial statements. Moreover, weak corporate governance, commonly cited as the culprit of this crisis, is more prevalent in Hong Kong than in many advanced economies. (CU00006)

---

**Further Evidence on Pricing Initial Audit Engagements**

- ✍ LEE Suk Yee Dominica
- 1 April 2001
- ❖ CUHK Research Committee Funding (Direct Grants)

Previous studies on initial audit pricing were mainly done in the U.S. and the findings are mixed. This study will examine the presence of price cutting on initial audits for Hong Kong listed companies for a time period comparable to the previous studies. The effect of different types of auditor switches will also be examined. (BS00536)

---

**The Association of Organizational and Management Characteristics with Resource Allocation for Information System Security Control Projects**

- ✍ LEUNG Kwan Lap Victor • LAM Chee Keung • KWONG Kok Shi
- 1 December 2000
- ❖ CUHK Research Committee Funding (Direct Grants)

The objective of this project is to examine organizational factors and management characteristics affecting a company's internal control with respect to the budgeted spending on information system control and security. The factors studied include company's corporate governance, management support and quality of project management after controlling for company size. This

study will add to the knowledge of the relationship between organizational characteristics and internal control tightness of computer information. The findings will have practical implications for auditors and other information professionals.

After finishing this project, the researchers expect the findings of their research will contribute notably to the MIS and management accounting literature related to project allocation and management decisions on information quality. (BS00704)

---

**Value Relevance of Direct Method Presentation in Statement of Cash Flow**

- ✍ LUI Man Ching Gladie
- 1 December 2000
- ❖ CUHK Research Committee Funding (Direct Grants)

Cash flow information is considered more relevant in providing information for the purposes of forecasting and decision making, as well as providing a better measure of an enterprise's financial flexibility and ability to adapt to unexpected needs and opportunities. Under US Generally Accepted Accounting Principles (GAAP), the operating activities section of the statement of cash flow (SCF) can be presented under the direct or indirect method. However, even though the indirect method is more commonly used in practice, the US Financial Accounting Standard Board has expressed a preference for the direct method of presenting net cash flow from operating activities. This research explores reasons for US firms in choosing between the direct and indirect method of SCF presentation.

In China, accounting has been undergoing fundamental structural change since the introduction of the open-door policy in 1979. Under the new Standard in Cash Flow Statements, cash flows from operating activities are required to be reported under the direct method. This requirement provides a unique environment to study the information value of actual cash flow disclosures. While past literature focused on the incremental value-relevance of cash flow from operations (as estimated by the indirect method) beyond aggregate earnings, this study employs a more powerful test by replacing aggregate earnings with individual income and expense components generated by the direct method of SCF presentation. (BS00768)

---

**Stock Rights Offers and Earnings Management of Listed Firms in China**

- ✍ QI Daqing • HAW In-mu • WU Yuwu Woody
- 1 December 2000

❖ CUHK Research Committee Funding (Direct Grants)

This study will empirically examine whether the Chinese stock market is efficient in regard of earnings management by listed firms motivated by meeting performance benchmarks for right offers. First, it will examine whether the earnings management behavior of the listed Chinese firms is consistent with the accounting rate of return on equity (ROE) parameters defined in the regulations for offering stock rights. Under the security regulations effective between 1996 and 1998, the ROE had to be more than 10% for three consecutive years for a firm to qualify for stock rights offers. Second, the study will investigate the mechanisms that managers used for such earnings management. Finally, it will examine whether market participants attach less weights to earnings components that are mostly likely to have been managed to shed light on the efficiency of the Chinese stock market in this regard.

While prior studies have accumulated findings of market efficiency related to income management to achieve regulatory requirements in mature and developed economies, little empirical evidence is available in transitional economies such as China. Because listed Chinese firms are practically unable to raise capital through issuing bonds or additional shares, the rights issue is the primary source of raising capital after their IPO. Thus, it is imperative for managers to meet the 10% ROE regulatory benchmark. However, it is unclear whether the stock market can undo such management by discounting related earnings components. This study is the first one to address such issues under the current regulatory environment in China. As such, it will enhance our understanding of the income management behavior in response to security regulations in emerging capital markets of transitional economies such as China and the efficiency of the Chinese stock market. Findings of this study will also provide important inputs to policy makers in fine-tuning financial reporting, auditing, and securities regulations in China.

(BS00957)

---

**The Expectations-performance Gap in Financial Reporting From Bank Loan Officers' Perspective**

✉ TONG WU Yew Jen Marian

☐ 1 December 2000

❖ CUHK Research Committee Funding (Direct Grants)

This paper will seek to provide empirical evidence showing how bank users of audited financial statements perceive and interpret various dimensions of assurance associated with financial reporting. By employing an experimental instrument, the researchers will ask bank loan officers to rank the

importance for thirty-five assurances for lending decisions and ascertain their expected level as well as the perceived level of assurance actually provided by audited financial statements on each exploratory dimension.

The research would be helpful in identifying the most important and relevant assurance factors in lending decision-makings, particularly for bank loan officers. The analysis of the expectation-performance gap of these key assurance dimensions and the possible reasons would be vital for highlighting areas for future expenditure of efforts in narrowing the expectation gap.

(BS00923)

---

**Timeliness of Annual Report Release and Market Reaction to Earnings Announcement in China**

✉ WU Yuwu Woody

☐ 1 December 2000

❖ CUHK Research Committee Funding (Direct Grants)

Since the reactivation of stock exchanges in early 1990, the stock market in China has grown rapidly. Such a growth has contributed to China's economic reform and particularly to the privatization of the state-owned enterprises (SOEs). At the same time it also outpaced the development of the informational and regulatory infrastructure of the market. While recent studies have found that earnings are value relevant in Chinese stock market (Bao and Chow, 1999; Haw, Qi and Wu 1999), such information availability prior to the annual report disclosure is very limited in the emerging capital market of China. Most listed Chinese firms fulfill only the minimum disclosure requirements mandated by the Chinese Securities Regulatory Commission (CSRC) and seldom provide earnings forecasts or voluntary information. Moreover, financial analysts and financial press are still at their infancy and cannot act effectively as the information intermediaries between listed firms and investors. Listed companies do not make preliminary earnings announcements and only disclose their annual results, as required by CSRC regulations, by releasing the abstracts of their annual reports through the three CSRC-designated newspapers: *China Securities Daily*, *Shanghai Securities Daily*, and *Shenzhen Securities Times*. Consequently, investors have little information available to predict earnings and no warning of bad news before it is officially released.

The purpose of this study is to investigate the relation among firm performance, timing of annual report release, and stock price reaction to earnings announcement of listed Chinese companies. Specifically, the researchers will examine: (1) whether the timeliness of annual report releases is related to their financial performance; (2) whether accounting earnings are useful to investors for firm

valuation even they are released late; and (3) for a delayed report, whether the abnormal returns between the expected and actual announcement date are negative.

Because significant difference exists in the information environment, investor sophistication, and the information dissemination process, the researchers will also investigate whether such a relation also holds for those firms issued B-and H-shares to foreign and Hong Kong investors. (BS00924)

**Please refer to previous issues of this publication for more details of the following ongoing research at the department:**

<u>Edition</u>	<u>Title/Investigators</u>
1999-00	Multinational Transfer Pricing: An Experimental Study of the Effects of National Culture on Negotiated Transfer Pricing Decisions (CU99023) ✉ FERGUSON Michael John • LAM Chee Keung • JOYCE Edward J*
1999-00	Differential Market Valuation of Disclosure Choices by Foreign Registrants (BS99006) ✉ HAW In-mu • Douthett Edward*
1998-99	A Study of Job Choice Decision of Public Accounting Firms by Accounting Graduates: An Application of Analytic Hierarchy Process (BS98022) ✉ HO Shun Man Simon • CHAN Siu Yeung*
1997-98	Tax Dispute Resolution in China (CU97423) ✉ JIANG Zhaodong
1999-00	The Making of Administrative Tax Rules in China (CU99026) ✉ JIANG Zhaodong
1999-00	Year 2000 Contingency Controls of Hong Kong Listed Companies (BS99007) ✉ KWONG Kok Shi • LAM Chee Keung • LEUNG Kwan Lap Victor
1999-00	Association Between the Investment Opportunity Set and Corporate Policies: Evidence from Hong Kong (BS99008) ✉ LAM Chee Keung
1998-99	The Association Between Financial and Auditor Characteristics and Auditor
	Negligence in Audited Financial Statements: A Regional Empirical Study (CU98066) ✉ MAJID Abdul • GUL Ferdinand Akthar Khan# • LOW Pek Yee*
1998-99	Disclosure of Corporate Environmental Issues – A Hong Kong Study (BS98028) ✉ NG Yick Man Andy
1999-00	Corporate Governance: Issues of Effectiveness and Necessity of Existence of Corporate Audit Committees (BS99021) ✉ NG Yick Man Andy
1998-99	Corporate Disclosure Policy and Price Anticipation of Earnings (CU98067) ✉ QI Daqing • WU Yuwu Woody • ZHANG Hua (Dept of Finance)
1999-00	Value-Relevance of Financial Reporting Disclosures in An Emerging Capital Market: The Case of B-shares and H-shares in China (BS99009) ✉ QI Daqing • HAW In-mu • WU Yuwu Woody
1998-99	A Study of the Concepts of Chinese Accounting Control and Their Applications in the Ching Dynasty (BS98032) ✉ TONG WU Yew Jen Marian • CHAN Koon Hung# • LEW Yee Hong Albert#
1999-00	Earnings Management of Chinese Listed Firms in Response to Security Regulations in China's Emerging Capital Market (BS99010) ✉ WU Yuwu Woody • HAW In-mu • QI Daqing
1998-99	Implementation of International Accounting Standards and Chinese Financial Reporting (BS98001) ✉ YANG Chao Lai Lloyd • TANG Qingliang*
1999-00	International Accounting Differences, Foreign Investment, and Capital Market Integration (BS99011) ✉ YOUNG Danqing

## RESEARCH OUTPUTS AND PUBLICATIONS

- <P994739> **LI K.H. Gerry and JORDAN Ernest.** "The Information Systems (IS) Role of Accountants: A Case Study of an On-line Analytical Processing (OLAP) Implementation". *Proceedings of the 1999 America's Conference on Information Systems* Milwaukee, USA: Association for Information Systems, 1999.08.13.
- <P996568> **LAM Chee Keung; Li Ji and Naresh Khatri.** "Changing Strategic Postures of Overseas Chinese Firms in Asian Emerging Markets". *Management Decision* vol.37 no.5, pp.445-456. USA, 1999.
- <P997380> **LAM Chee Keung; QIAN Gongming and Li Ji.** "High Tech Industries and Competitive Advantage in Emerging Markets". *The Journal of High Technology Management Research* vol.10 no.2, pp.295-312. USA, 1999.10.30.
- <P998334> **LAM Chee Keung and LI ji.** "The Effect of Technological Development on Firm Performance in China". *Journal of Global Business* vol.10 no.19. 1999.
- <P001670> **Ng, Andy Y.** "Perceptions of the First Line Managers in the Manufacturing Sector in Tertiary Accounting Education - A Hong Kong Study". *Education Journal* vol.28 no.1, pp.139-150. Hong Kong, 2000.09.
- <P002933> **NG Y. Andy.** "Going Green: More Cause Than Concern". *Australian CPA* vol.70 no.7, pp.64-65. Australia, 2000.08.
- <P002937> **何順文.** <公司股權結構與資訊披露在東南亞金融危機中之角色>. 《財會通訊》 第 1 卷 第 237 期, 頁 22-25. 中國湖北, 2000.01.
- <P002938> **何順文.** <投資者對公司信息的要求及公司自願披露行為>. 《中國會計年鑒》 第 1999 期, 頁 351-353. 中國北京, 2000.01.
- <P002977> **ARJUNAN Krishnan and MAJID Abdul.** "Unethical Conduct and the Asian Economic Crisis". *Journal of Chinese and Comparative Law* vol.4 no.1-2, pp.177-198. Hong Kong, 2000.
- <P003134> **CHOW W. Chee; TONG Marian and YANG Lloyd.** "The Learning Level Emphasis in Chinese Universities Accounting Courses: Exploratory Evidence from Final Examination". *China Accounting and Finance Review* vol.2 no.3, pp.1-54. 2000.09.
- <P003151> **LI K.H. Gerry and JORDAN Ernest.** "Executive Information Systems (EIS): Impact on the Job Satisfaction and Organizational Commitment of Management Accountants in Hong Kong". *Proceedings of the 5th International Conference of Asia-Pacific Region of Decision Sciences Institute* Tokyo, Japan, 2000.07.24.
- <P003152> **CHAN S.Y. and LEE S. Dominica.** "An Empirical Investigation of the Symptoms of Obsolete Costing Systems and the Overhead Cost Structure". Paper presented in Asian Academic Accounting Association (Inaugural World Conference). Singapore, 2000.08.29.
- <P003178> **LI Kwok Hung Gerry.** "Electronic Commerce: Its Impact on Accountants". *Bfirst (Journal of CPA Australia - HK Branch)* pp.10-13. Hong Kong, 2000.06.
- <P003530> **CHAN Y. Siu and HO S.M. Simon.** "Desired Attributes of Public Accounting Firms in the Job Selection Process: An Empirical Examination of Accounting Graduates' Perceptions". *Accounting Education* vol.9 no.4, pp.315-327. London, UK, 2000.
- <P003842> **MENSAH Yaw Mireku.** "Accounting Issues in Health Care". *Journal of Accounting and Public Policy* vol.19 no.1, pp.3-7. 2000.

- <P008875> **YOUNG Danqing.** "The Association Between Financial Accounting Measures and Real Economic Activity: A Multinational Study". *Journal of Accounting & Economics* vol. 29, 2000, pp.53-72. USA: Elsevier Science B. V., 2000.
- <P009661> **Li Ji; QIAN Gongming; LAM Chee Keung and WANG Yu Long Denis.** "Breaking into China: Strategic Considerations for Multinational Corporations". *Long Range Planning* vol.33 no.5, pp.675-689. London, UK, 2000.11.
- <P010752> **HO S.M. Simon and WONG Kar Shun.** "A Study of Corporate Disclosure Practice and Effectiveness in Hong Kong". *Journal of International Financial Management and Accounting* vol.12 no.1, pp.75-102. USA, 2001.
- <P011237> **MENSAH Yaw M.; HO Simon and SONG Xiaofei.** "Longitudinal Trends in Analysts Annual Earnings Forecast Attributes: Is Greater Corporate Disclosures a Factor?". Paper presented in the 9th Annual Conference on Pacific Basin Finance, Economics and Accounting, organized by Review of Pacific Basin Financial Market and Policies. New Brunswick, 2001.05.
- <P011238> **MENSAH Yaw M. and WERNER Robert.** "The Efficiency Implications of Donor Restrictions on Donations to Institutions of Higher Education Working Paper Under Review". 2001.04.
- <P018101> **LI Ji; LAM Chee Keung and QIAN Gongming.** "Does Culture Affect Behavior and Performance of Firms: the Case of Joint Ventures in China". *Journal of International Business Studies* vol.32 issue 1, pp.115-130. Washington, USA, 2001.03.

## RESEARCH PROJECTS

---

### A Pilot Study on an Intelligent Agent for Clustering Chinese Web-based Documents

- ✉ CHAN Wai Kwong Samuel
- ☐ 1 December 2000
- ❖ CUHK Research Committee Funding (Direct Grants)

World Wide Web provides a fast and efficient channel to disseminate information. With the advent of relative cheap and large online storage capacities, comprehensive sources of text and image can be stored and made available. Document information, exhibited in lexical items, document structures as well as their embedded images, embodies extensive interconnections. However, the classification of the Web-based documents, with heterogeneous data in nature, has not been explored as thoroughly. While the traditional keyword-based retrieval systems may be misled by the breath of vocabulary used in a long document, only a few prototype systems has attempted to classify Web-based document in order to locate the unfamiliar ones. As a result, a large portion of Web documents is far beyond the reach of current search engines. In this pilot study, the researchers attempt to extend and strengthen some of their related research in (1) extracting tokens/phrases and analyzing markup languages; (2) investigating text salience based on structures and type hierarchies; (3) generating signatures from image context, in order to devise a clustering model for the heterogeneous information in Web-based documents. An intelligent architecture based on connectionist approach in classifying hypertexts based on their lexical, textual and pictorial structures will further be investigated. What distinguishes it from previous research is that attention is not only primarily focused on the individual media, but by the collaborative interaction of natural language technology and image techniques through a connectionist-based classifier can we successfully cluster and index the diverse hypertexts. (BS00999)

---

### Encoding the Connectivity of Events: A Dynamic Connectionist Approach to Gist Preservation

- ✉ CHAN Wai Kwong Samuel • Tsou B K\*
- ☐ 1 December 2000
- ❖ Research Grants Council (Earmarked Grants)

The proliferation of on-line texts and the rapid growth of large text databases motivate most work of information extraction in texts. Recently, most research in textual information extraction systems have opted for engineering solutions which generally

start by identifying key artifacts, such as proper names, dates, times, and locations, or use a combination of shallow linguistic constraints to identify the important content. Although such approaches have been claimed to produce significant advances in robustness and applicability, they lead to ad hoc and unwieldy descriptions of linguistic phenomena, lacking perspicuity and any deeper explanatory value. Textual information extraction systems should behave as though they understand the texts they process. Consequently, one of the biggest challenges in textual information extraction is to provide a computer framework with linguistic sophistication in order to uncover the meaning of an utterance successfully. This research attempts to provide a novel quantitative model of discourse analysis based on textual connectivity. What distinguishes it from previous research is that attention is not primarily focused on itemizing all the main ingredients in textual connectivity, but central to this research is the construction of intermediate structures (for texts) by encoding the connectivity of events through a dynamic connectionist model. Substantial integration of the theoretical work in terms of connectionist reasoning, computational linguistics, and knowledge representation will be demonstrated. This model also facilitates a dynamic textual summarization for gist preservation and prominence, sweeping away the clutter of irrelevancies. The ability to distill a cohesive subtext and its contribution to knowledge discovery will also be addressed. The researcher will also demonstrate how the intermediate structures can be derived from user's queries and the documents found in a heterogeneous text collection such as WWW. (CU20003)

---

### Air Cargo Logistics Industry Studies in Shanghai and Beijing

- ✉ CHEUNG Wai Man • LEUNG Chi Kin Lawrence • HUI Yer Van\* • Zhang Anming\*
- ☐ 15 July 2000
- ❖ Sun Hung Kai Properties Limited

The study framework will include three aspects:  
(1) *The Macro Environment*: Macro-view of Shanghai air-cargo patterns; Gateway and hub effects; Trends and changes in economic and social needs; Competitiveness and threats.  
(2) *Distribution & Logistics*: Geographical distribution; Physical distribution network and infrastructures; Logistics support services; Customs procedures.  
(3) *Information Technology*: IT infrastructures; Internet and e-commerce; Shipment tracing and tracking. (BS20005)



---

### **Increasing the Competitiveness of the Air Cargo Industry in Hong Kong**

✉ CHEUNG Wai Man • LEUNG Chi Kin  
Lawrence • HUI Yer Van\* • LAW Japhet  
Sebastian • Hui W L George\* • Lau Anthony\*

□ 15 August 2000

❖ Funding from Other Sponsors • General Support  
Program, Innovation & Technology Commission

The air cargo industry operates in a very competitive environment with many competitors. It has evolved from a traditional labor-intensive industry to one that requires innovation and technology.

With China's imminent entry into WTO and with southern China's developing trend of producing high-tech products, the demand for Hong Kong's air cargo service will intensify. Also, the rapid development of E-commerce has resulted in urgent needs for logistics integration and IT infrastructure in the Hong Kong air cargo industry.

In this two-year project, the objective is to study the various challenges that the industry is facing, and to provide recommendations to the HKSAR Government as well as the industry agents to increase competitiveness.  
(BS20004)

---

### **Establishing and Enhancing Trust and Shared Understanding in Virtual Market-space for the E-Commerce Era**

✉ CHEUNG Wai Man • HUANG Wayne W\*

□ 1 April 2001

❖ CUHK Research Committee Funding (Direct  
Grants)

E-Commerce will transform the current physical market place into a virtual market-space. Although most fortune 500 companies in the USA and many small-medium enterprises in Hong Kong have invested substantially in World Wide Web (WWW) technologies for the coming era of E-Commerce, few companies have really derived significant profits from E-Commerce transactions so far. E-Commerce depends upon the realization of on-line transactions, which in turn relies upon the willingness and trust of businessmen/customers to deal/purchase in the virtual market-space. Most current E-Commerce research, if not all, focuses on security issues, organizational adoption issues of E-Commerce technologies, and Internet-based intelligent agents/systems to increase on-line transactions. Very little theory-guided research has been done in developing an Internet-based computer system to enhance trust and shared understanding between businesses and between business and customer in the virtual market-space. This research attempts to fill this gap.

Specifically, the researchers will draw upon dialogue theory, alignment theory, and learning organization theory to propose a conceptual and theoretical framework that aims to enhance trust and shared understanding in the virtual market-space. Based upon the theoretical framework, an Internet-based Social Interaction System (ISIS) will be designed and developed. This ISIS will provide an electronic environment and theoretical framework for supporting the establishing of trust between business parties in the E-Commerce era. Finally, empirical investigations will be carried out to test the effectiveness of the theoretical framework and to evaluate the ISIS system. The research findings can also provide insights on how to reap the real benefits of E-Commerce by enhancing trust and shared understandings in the virtual market space.

(BS00453)

---

### **Organizational Forms of Audit Firms - A Game Theoretic Analysis**

✉ CHIU Yiu Wah • LAM Chee Keung (School of  
Accountancy)

□ 1 November 2000

❖ Research Grants Council (Earmarked Grants)

Traditionally, audit firms existed only in the forms of partnership and sole proprietorship. In the past ten years, different alternative forms have become available in the US and to a certain extent in the UK. These include incorporation, limited liability partnership (LLP), and limited liability company (LLC). A common feature of these forms is that "partners" of the firm who have not actively participated in an audit have limited liabilities for losses resulting from the audit. While these changes started from the US, they have spread worldwide. For instance, some Big Five auditor in Hong Kong is a limited company.

This proposed research utilizes a game theoretic approach to model and study audit market performance in the presence of a larger set of available organizational forms; a game theoretic approach is especially suitable to capture the interactions among audit firms. Both the audit-effort decisions and organizational form choices will be studied. There have been deep concerns that audit quality will deteriorate after the introduction of new organizational forms. However, very few formal analyses on the effects of new organizational forms have been conducted. This study is relevant to Hong Kong. The Asian economic crisis has exposed problems relating to audit quality in Hong Kong, and this study will lay a framework to discuss possible improvement of audit quality.

(CU00011)

---

### **A Pilot Study of Designing Data Warehouse in Supply Chain Environment**

- ✉ DU Timon Chih Ting
- ☐ 1 April 2001
- ❖ CUHK Research Committee Funding (Direct Grants)

Recently, the data warehouse has become an important technology to support decision-making. The conventional data warehouse is subject-oriented and is implemented within a company. When a company joins the supply chain partnership to increase competitiveness and distribute risks, the data warehouse has to be created or re-designed. Depending on whether or not (1) a company has database or data warehouse before joining supply chain partnership, and (2) a physical data warehouse wants to be built, four different strategical approaches can be adopted; namely, centralized data warehouse, coordinated data warehouse, distributed data warehouse, and federated data warehouse. The methodologies are demonstrated in a four-level, eight-company environment. A comparison table of these four approaches is also provided. (BS00653)

---

#### **Total Quality Management (TQM) Practices and Its Success Factors in Hong Kong Manufacturing Industry**

- ✉ LEE Tien Sheng • ZHAO Xiande • LI Eldon\*
- ☐ 1 December 2000
- ❖ CUHK Research Committee Funding (Direct Grants)

Since the emergence of TQM concept in the early 1980's, the traditional view of quality as conformance to specifications or standards has been replaced by meeting the customer requirements. It focuses on continuous process improvement to achieve high quality of product (or service). Its strategy tries to achieve "total quality" throughout the entire business, not just in the product. Many success stories have been reported about TQM implementation, e.g., Xerox, Inc., Ford Motor Company, and Dow-Corning, etc. Yet, many more fiascoes were told as well. The common factors of TQM success or failure include: management leadership and commitment, customer focus, employee involvement and empowerment, a focus on continuous improvement, supplier partnerships, and the recognition of quality as a strategic issue in business planning.

The manufacturing industry in Hong Kong produces mainly labour-intensive, light consumer goods. There appears to be a close linkage among the larger, medium, and smaller firms via an efficient subcontracting network. Since the early 1980s, many firms have moved their production facilities to Guangdong Province for the sake of cheaper resource costs. This caused the number of firms to decrease at

7.4% per annum from 50,606 in 1988 to 31,114 in 1995. Under either subcontracting or cross-border production environment, how to assure product quality is a critical issue of Hong Kong's manufacturing firms. As Hong Kong is planning to establish its own Silicon Valley in the new millennium, the experience of a successful TQM implementation is valuable to this forthcoming high-tech manufacturing industry.

The study will collect data about the TQM practices in the manufacturing industry and conduct a longitudinal comparison with a previous study conducted by the Principal Investigator in 1996 [Lee, Adam, and Tuan, 1999]. Furthermore, it will identify the factors that are contributory to the success of TQM implementation in Hong Kong. The findings from this research will be compared with those reported by the similar studies in the U.S. and U.K. Through these findings, the implications on management practices are identified and discussed. Finally, several case studies will be prepared and a structured methodology for TQM implementation will be developed.

(BS00829)

---

#### **An Empirical Investigation of Service Quality and Profitability Among Retailers in Hong Kong and Mainland China**

- ✉ ZHAO Xiande • LEE Tien Sheng
- ☐ 1 December 2000
- ❖ CUHK Research Committee Funding (Direct Grants)

This project aims to investigate the relationship between internal service quality management practices, service quality and the profitability of a company or an operating unit in the retail industries in Hong Kong and Mainland China. In this project, the researchers will evaluate the service quality of selected stores through service quality surveys, investigate and measure internal service quality management practices through in-depth case studies, survey of management and front line service staff. Based on data collected and the company's performance data, the researchers will model the relationship between internal service quality management practices, service quality as measured by customer surveys and the profitability and growth of the company.

The subjects of the study are retail stores in Hong Kong and Mainland China. Through this study, the researchers expect to find that service quality is an important factor for a company's profitability and that internal quality management practices significantly influence service quality. Companies that adopt break-through-service management practices as advocated by Harvard Professors, Heskett, Sasser and Schlesinger (1992, 1997) can provide a better quality service and are shown to be able to achieve increased

profitability. The findings from this study will provide empirical evidence of this. Based on the result of the study, guidelines for retail companies to improve service quality and profitability will be provided.  
(BS00718)

**Please refer to previous issues of this publication for more details of the following ongoing research at the department:**

<u>Edition</u>	<u>Title/Investigators</u>
1999-00	Lexical Cohesion and Boundary Detection in Chinese Discourse: A Computational Approach (CU99196) ✉ CHAN Wai Kwong Samuel • Tsou B K*
1998-99	A Study on Consumption, Rent, and Housing Price in Hong Kong (BS98027) ✉ CHEUNG Kwok Hung Francis
1998-99	Bargaining, Competition, and Investment Choice (CU98071) ✉ CHIU Yiu Wah • CHATTERJEE Kalyan*
1998-99	Economic Growth and Growth Convergence in China (BS98006)

	✉ CHOI Hak
1998-99	Reputation Effect in Repeated Negotiations (CU98076) ✉ LEE Ching Chyi • ZWICK Rami*
1999-00	Designing an Air-Express Courier's Distribution Network (CU99037) ✉ LEUNG Chi Kin Lawrence • CHEUNG Wai Man • HSU Cheng*
1999-00	A Framework for a Logistics E-commerce Community Network: The Hong Kong Air Cargo Industry (BS99025) ✉ LEUNG Chi Kin Lawrence • CHEUNG Wai Man
1998-99	Bootstrapping Time Series Models with Integrated Processes (CU98078) ✉ LI Hongyi • XIAO Zhijie*
1999-00	Impulse Response Asymptotics and Long Horizon Prediction in Cointegrated VAR Models (BS99012) ✉ LI Hongyi • XIAO Zhijie*

## RESEARCH OUTPUTS AND PUBLICATIONS

- <P994730> **LI Hongyi and MADDALA G.S.** "Bootstrap Variance Estimation of Nonlinear Functions of Parameters: An Application to Long-Run Elasticities of Energy Demand". *The Review of Economics and Statistics* vol.81 no.4, pp.728-733. 1999.11.
- <P003120> **LI Hongyi.** "The Power of Bootstrap Based Tests for Parameters in Cointegrating Regressions". *Statistical Papers* vol.41, pp.197-210. 2000.04.
- <P003121> **CHOI Hak and LI Hongyi.** "Economic Development and Growth Convergence in China". *Journal of International Trade & Economic Development* vol.9 no.1, pp.37-54. 2000.03.
- <P010363> **CHOW K.W. Clement; FUNG K.Y. Michael and NGO H.Y.** "Consumption Patterns of Entrepreneurs in the People's Republic of China". *Journal of Business Research* 2nd ed., vol.52, pp.189-202. New York, 2001.05.
- <P010621> **蔡克.** 《香港經濟與金融》. 270 頁. 香港: 中文大學出版社, 2001.

see also <P008497>

## RESEARCH PROJECTS

---

### Examining the Implications of Portfolio Theory for Trading Volume: A Latent Variable Approach

- ✉ CHENG Wui Wing Joseph • Chang Eric Chieh\*  
☐ 1 September 2000  
❖ Research Grants Council (Earmarked Grants)

The researchers extend the analysis of Lo and Wang (2000) that derives and tests volume implications of separation theorems inherent in asset pricing relations. Whereas that analysis focuses on factors influencing turnover cross-sectionally and uses principal components tests that presuppose cross-sectional turnover is constant, the researchers examine turnover through time. Accordingly, they employ GMM tests that allow factors that determine turnover, and hence turnover itself, to vary. The researchers also extend the analysis to the Asian markets (Japan, Korea, Singapore, Taiwan and Hong Kong SAR) to get an idea of how general the factor structure of conditional time-varying volume is across markets. Like principal components analysis, the GMM tests permit parsimony in expressing the number of factors (K) driving volume. In addition, tests that use volume data may augment test that use returns data to shed light on how large K is. However, confirmation of the cross-sectional three-fund separation finding by Lo and Wang using time-series methods is important. Consistent findings across methods and markets should enhance confidence that models suggesting three-fund separation are more valid than the alternatives.  
(CU00018)

---

### Is Financial Deregulation a Panacea?

- ✉ CHOW Ying Foon • KEUNG Yiu Ling\*  
☐ 1 January 2001  
❖ CUHK Research Committee Funding (Direct Grants)

The Hong Kong Monetary Authority has recently announced that it plans to deregulate the remaining interest rate rules within a shorter time scale than that recommended by the *Banking Sector Consultancy Study* released earlier. With the final phase out of the regulation of interest rate on deposits with or less than seven days to maturity, consumers may seem to be better off on the surface. Whether consumers or the economy as a whole are better off or worse off is still an open question and is worth looking into. Consider the following question: Has the cost of attracting more funds to saving and loan associations (S&Ls) been a major factor behind movements in the mortgage loan rates in the U.S.? In their seminal paper, Jaffee and Rosen (1979) have unequivocally

answered in the affirmative. Such a cost-push hypothesis for the determination of mortgage loan rates has also been embraced by the popular press. By extension, many financial analysts have further argued that the deregulation of deposit interest rates that began in the mid-1978 is largely responsible for the concomitant and consequent escalation of mortgage rates. In this project, the researchers argue that the debate on this important issue has thus far erroneously focused on the (contemporaneous) correlation between the cost of deposits and mortgage loan rates. However, the Jaffee-Rosen hypothesis does not merely state that the two variables are correlated over time. Rather, and more important, the hypothesis contends that the cost of deposits drive (or cause) mortgage loan rates. Why is it important to establish the direction of causality between mortgage and deposit rates? Mortgage lenders and market regulators in particular could gain useful insights into the operation of the economy. If deposit rates unidirectionally causes mortgage rates, for example, then potential borrowers should consider deposit rates when determining future borrowing costs.  
(BS00451)

---

### Insiders Trading Activities and Momentum of Stock Prices

- ✉ HE Jia  
☐ 1 December 2000  
❖ CUHK Research Committee Funding (Direct Grants)

A momentum trading strategy, buying stocks with high returns over previous 3 to 12 months and selling stocks with poor performance over the same period of time can generate significant abnormal returns over medium holding period. A lot of explanations have been given to in the past decade. This topic is very important since it touches central themes of the modern financial economics; i.e. efficient market hypothesis and asset pricing model. This study aims to give another explanation or deepen the debate by using the insiders trading information to refine the simple momentum trading strategies.  
(BS00861)

---

### Internal Capital Market Misallocation and Inefficient External Capital Market - Evidence from Red Chip Companies

- ✉ HE Jia  
☐ 1 December 2000  
❖ Research Grants Council (Earmarked Grants)

This project investigates the performance and the structure of red chips. Red chip companies are companies registered in Hong Kong representing provincial governments or various branches of central

government. They raise capital from international capital market and it is then allocated, through an internal allocation mechanism which is commonly called internal capital market, to many projects in China. Many of these companies are well diversified engaging in business in financial services, trade, real estate and tourism both in Hong Kong and Mainland of China. On one hand, the structure of the red chips provides a way for many otherwise unqualified Chinese companies, due to different accounting standards and corporate governance structures to raise capital through a window company from international capital market. But on the other hand, it may create some agency and asymmetric information problems within organizations, which may lead to over investment and corruption. The recent collapse of Guangdong International Trust & Investment Corporation "GITIC" and Guangdong Enterprises "GDE" are very significant events. The default of GDE has triggered credit crunch for all the red chip companies. These two events have had important impacts on almost all the financial institutions in Hong Kong and many financial institutions elsewhere. (CU00021)

---

**Expropriation of Minority Shareholders in East Asia**

- ✉ LANG Hsien Ping Larry
- ☐ 15 November 2000
- ❖ CUHK Research Committee Funding (Direct Grants)

The researchers will examine the evidence on expropriation of minority shareholders by the controlling shareholder in eight East Asian countries. East Asian corporations are characterized by deviations of voting from cash-flow rights through the use of pyramiding and cross-holdings among firms. The researchers test that the larger the fraction of cash-flow ownership, the greater the cost to the large shareholder of extracting benefits from control of the firm. This is consistent with previous studies on the positive "incentive" effect associated with increased cash-flow rights. The researchers will also test a negative "entrenchment" effect that accompanies increases in voting rights. The central contribution of this proposal is in attempting to disentangle the incentive and entrenchment effects that are so difficult to tell apart in U.S. data. The dominance of concentrated corporate ownership and poor minority shareholder protection outside of a few rich common law countries makes these findings relevant for a broad set of countries around the world. (BS00307)

---

**Weak Moments in the Efficient Methods of Moments**

- ✉ LIU Ming • CHOW Ying Foon • ZHANG Hua • ZHANG Huibing Harold\*
- ☐ 31 August 2000
- ❖ Research Grants Council (Earmarked Grants)

These goals are to be accomplished in this project:

- (1) The investigators are to formulate the problem of weak moments in the EMM (Efficient Methods of Moments) setting and investigate their implications with the EMM estimation and inference;
- (2) Monte Carlo experiments are to be conducted to see if the weak moments asymptotics offer a good description of the finite sample performance of the EMM framework;
- (3) with a better understanding of the finite sample performance of the EMM, and given that these exists alternative auxiliary models less affected by weak moments problem, empirical strategy will be formulated in selecting auxiliary model such that the EMM estimation and inference can be least contaminated by the weak moments.

(CU00023)

---

**Price and Volatility Spillovers Between Interest Rates and Exchange Value of the US Dollar**

- ✉ SO Wai Man Raymond
- ☐ 1 July 2000
- ❖ CUHK Research Committee Funding (Direct Grants)

In this paper, the dynamic relationships between interest rate and exchange value of the U.S. dollar are studied via a multivariate Exponential Generalised Autoregressive Conditional Heteroskedascity (EGARCH) model. The objective is to examine both price changes volatility spillovers between the two markets. Previous studies mainly look at the long run equilibrium relationship between these two economic variables, this study extend previous studies by investigating if their second moments are related. It is expected that these two markets have short-term dynamic interactions in both price and volatility spillovers. The existence of volatility spillovers also suggests that the relationships between these two economic variables are not necessarily linear. (BS20002)

---

**Auto Insurance Claims in New Jersey and Pennsylvania: A Comparison of Pre- and Post-Choice and of No-fault versus Tort**

- ✉ YEH Jia Hsing
- ☐ 1 April 2001
- ❖ CUHK Research Committee Funding (Direct Grants)

Americans own the largest number of cars in the world. Each year, there are more than 6 million automobile accidents and 41,000 deaths on U.S. roads and highways. Automobile insurance represents nearly 50 percent of property / liability insurance premium volume in the U.S. and similarly large percentages throughout the world. Within the United States, automobile liability laws are determined at the state level. Two general legal systems to compensate traffic accident victims coexist: the negligence approach and the no-fault approach. However, variations in laws, driving conditions, and general economic and social qualities across states make comparisons of these approaches difficult. In the early nineties, New Jersey and Pennsylvania modified their automobile liability laws in such a way that offers both recent data for study and an opportunity to compare tort versus no-fault without worry about state variations. That is, both New Jersey and Pennsylvania implemented choice systems, which permit evaluations of tort and no-fault within a single state for the same time period. New Jersey moved from mandatory no-fault to choice, while Pennsylvania moved from traditional tort to choice. These two states provide a natural experiment that to date has received little empirical consideration. An analysis of the auto insurance claims in the two states should shed much light on the impact of the choice laws.

(BS00725)

---

#### A Study on Share Repurchases in Hong Kong

✉ ZHANG Hua • CHOW Ying Foon • LIU Ming

☐ 15 December 2000

❖ Research Grants Council (Earmarked Grants)

In this project, taking the advantage of complete and timely disclosure required by the Stock Exchange of Hong Kong (SEHK), the researchers investigate two interesting issues related to open-market share repurchases in Hong Kong. First, the researchers plan to investigate stock price performance surrounding *actual* share repurchases. Second, they intend to investigate the long-term performance following *actual* share repurchases. This project can address some interest issues that cannot be directly addressed by using US data and therefore make an important contribution to the literature on share repurchases. It can also provide some indication about whether outsider investors can use public available information to make profitable trades. (CU00024)

---

#### Financial Innovation in Incomplete Markets

✉ ZHOU Yuqing

☐ 1 April 2001

❖ CUHK Research Committee Funding (Direct Grants)

This project studies the implications of financial innovation in the standard CAPM from the risk-sharing perspective, assuming that markets are incomplete, and sidestep the use of the traditional calculus to perform comparative statics analysis. In particular, welfare effects and volume implications are analyzed in details. The researchers demonstrate that financial markets with a richer set of securities generate Pareto-dominating equilibrium allocations, and that cross-sectional variation in trading volume caused by opening a new market has a linear one-factor structure. Furthermore, they quantify the relations among trading volume, unhedged individual risks and welfare changes. It is shown that a higher trading volume associated with opening a new market conveys a stronger positive signal, which implies that society is better served. The extensions to general utility functions and to multiperiod models are also discussed.

(BS00630)

---

**Please refer to previous issues of this publication for more details of the following ongoing research at the department:**

Edition      Title/Investigators

1999-00      Mortgages: Finance Economic Growth or a Bubble? (BS99014)  
✉ CHOW Ying Foon • LIU Ming

1997-98      A High-Tech Approach to Innovative Bank Marketing in the Era of Information Explosion (BS97024)  
✉ FAN Kin Keung Dennis • CHAN Chi Fai Andrew (Dept of Marketing) • LAU Kin Nam (Dept of Marketing) • LEUNG Kwong Sak (Dept of Computer Science and Engineering) • LEUNG Pui Lam William (Dept of Statistics) • LEUNG Yee (Dept of Geography & Resource Management)

1999-00      Informed Trading and Uninformed Trading in Stock Market and Option Market (CU99040)  
✉ FONG Wai Ming • CHAN Kalok\*

1998-99      The Impact of Portfolio Disclosures on Institutional Trading Motives (BS98024)  
✉ HE Jia

1999-00      Internal Capital Market Misallocation and Inefficient External Capital Market: Evidence From Red-chip Companies (BS99002)  
✉ HE Jia • CHEN Zhiwu\*

1999-00	Technology Innovations and Financial Policies: An Exploratory Study Using A Unique Database on International Market for Medical Technology (CU99041) ✍ HE Jia • LIU John J.*	✍ LIU Ming • CHIANG Chiu Ping Raymond# • HE Jia
1999-00	The Curvature and Slope in Credit Spread Term Structure Curve (BS99028) ✍ HE Jia	1998-99 The Effect of Ownership, Management and Regulatory Control on Performance of Urban Credit Unions in Zhejiang Province (BS98015) ✍ THOMAS Hugh Alun Lloyd • SHI Jinchuan*
1999-00	Institutional Investors and Value Line Recommendations (BS99022) ✍ HE Jia	1997-98 An Empirical Investigation of the GARCH Option Pricing Model (CU97419) ✍ ZHANG Hua • DUAN Jin Chuan*
1999-00	Related Diversification and Firm Performance (CU99042) ✍ LANG Hsien Ping Larry	1999-00 A Study on Insider Trading in the Hong Kong Equity Market (BS99016) ✍ ZHANG Hua
1999-00	Clientele, Prepayment and Mortgage Design in the Hong Kong Mortgage Market (CU99058)	

## RESEARCH OUTPUTS AND PUBLICATIONS

- <P000317> **So, Raymond W. and Chiuling Lu.** "Asian Bank Returns and Real Estate Markets". Paper presented in the 5th Asian Real Estate Society Meeting, organized by Asian Real Estate Society. Beijing, China, 2000.07.27.
- <P000318> **Glascock, John L. and Raymond W. So.** "Accuracy of Financial Analysts' Earnings Forecasts of Asian Securitized Real Estate Firms". Paper presented in the 5th Asian Real Estate Society Meeting, organized by Asian Real Estate Society. Beijing, China, 2000.07.27.
- <P002244> **So, Raymond W.** "Fund Industry Sees Opportunities as Well as Threats in E-Finance". *Benchmark: Investment Funds of Asia* pp.29-31. Hong Kong, 2000.09.
- <P003162> **FAN K.K. Dennis and SO W. Raymond.** "A Survey on Capital Structure Decisions of Hong Kong Firms". *Review of Pacific Basin Financial Markets and Policies* vol.3 no.3, pp.347-365. USA, 2000.09.
- <P007385> **McGUINNESS Paul Brian; LEE J.; WONG V.; CHEUNG K. and YUHONG Y.** "Market Segmentation and the Pricing of Different Categories of Stock in Mainland-Incorporated Companies". *SFC Bulletin* pp.1-18. 2000.
- <P009498> **McGUINNESS Paul Brian and CHENG K.** "Put-Call Parity and Market Efficiency". *Educational Article* Issue No.9. Hong Kong Futures Exchange, 2000.10.
- <P010164> **SO W. Raymond.** "Price and Volatility Spillovers between Interest Rate and Exchange Value of the US Dollar". *Global Finance Journal* vol.12, pp.95-107. USA, 2001.
- <P010607> **CHEN C. Cherry and SO W. Raymond.** "Exchange Rate Variability and the Riskiness of US Multinational Firms: Evidence from the Asian Turmoil". Paper presented in the Eighth Global Finance Meeting, organized by Global Finance Association. Los Angeles, USA, 2001.04.06.

- <P010644> **LU Chiuling and SO W. Raymond.** "The Relationship Between REITs Returns and Inflation: A Vector Error Correction Approach". *Review of Quantitative Finance and Accounting* vol.16 no.2, pp.103-115. USA, 2001.
- <P010942> **SO W. Raymond and TSE Yiuman.** "A Note on International Portfolio Diversification with Short Selling". *Review of Quantitative Finance and Accounting* vol.16 no.4, pp.311-321. USA, 2001.
- <P016386> **McGUINNESS Paul Brian.** "Ex-Day Effects for Rights Issues in Hong Kong". *Applied Economics Letters* pp.5-7. 2001.01.

**see also** <P004035>



## RESEARCH PROJECTS

### Professionalism and Service Quality in Hospitality and Tourism

- ✉ TSE Eliza Ching Yick • HUI King Man (Dept of Marketing) • LEE Kam-hon (Dept of Marketing)
- ☐ 15 October 2000
- ❖ Research Grants Council (Earmarked Grants)

The hospitality and tourism industry is vital to the Hong Kong economy. Hong Kong is now the ninth largest service exporter in the world. Today, the industry is facing an increasingly dynamic business environment with globalization, technological advances, and rising customer expectations. For the industry to sustain its phenomenal success, continuous improvement in service quality is a must. Professionalism with sound ethical practices is paramount to improving service quality. However, research on professionalism and its impact on service quality in hospitality and tourism are scant.

The primary objective of the proposed research is to examine the structure and components of professionalism, and to investigate the interrelationships between professionalism and service quality in hospitality and tourism. This study has two stages: empirical study and theory development. Firstly, a multi-method approach will be adopted to collect primary data; content analysis,

personal interview, critical incident technique, and survey method will be employed. The data will be collected from tourists and hotel guests in Hong Kong. Then, a model of professionalism will be developed. The model will feature a measurement scale for professionalism depicting the structure and components.

This research is the first of this kind to address professionalism in hospitality and tourism. The study results are expected to enhance professionalism and service quality in the hospitality and tourism industry in Hong Kong. The information obtained from this study can aid management of the hospitality firms in formulating strategy.

(CU00001)

**Please refer to previous issues of this publication for more details of the following ongoing research at the department:**

<u>Edition</u>	<u>Title/Investigators</u>
1999-00	An Empirical Investigation of Service Quality and Profitability Among Hotels in Hong Kong (BS99023) ✉ WANG Ko • LEE Tien Sheng (Dept of Decision Sciences and Managerial Economics) • ZHAO Xiande*

## RESEARCH OUTPUTS AND PUBLICATIONS

- <P002640> **TSE Ching-Yick Eliza.** "Developing a Strategic Plan for Convention and Visitors Bureau". pp.333-351. University of Marketing and Distribution Sciences, 2000.11.
- <P002641> **TSE Ching-Yick Eliza and FRANCIS A. Kwansa.** "An Longitudinal Analysis of Merger and Acquisition Activities in the Hospitality Industry". *Abstracts of the Asian Real Estate Society the 5th Annual Conference in Beijing* p.17. Beijing, China: Asian Real Estate Society and Tsinghua University, 2000.07.
- <P010041> **KWOCK Yongsub and TSE Ching-Yick Eliza.** "The Causal Relationships Among Environment, Strategy, Structure, and Financial Performance in the Hospitality Industry". *Abstracts of the International Hospitality Industry Evolution 2001 CU2 Joint Conference in Hospitality and Tourism* pp.70-71. Hong Kong: The Chinese University of Hong Kong, 2001.01.
- <P010042> **CHU Sung-Chi and TSE Ching-Yick Eliza.** "An e-Strategic Perspective of the Hospitality Industry". *Abstracts of the International Hospitality Industry Evolution 2001 CU2 Joint Conference in Hospitality and Tourism* p.69. Hong Kong: The Chinese University of Hong Kong, 2001.01.12.
- <P010043> **LUI Percy; TSE Ching-Yick Eliza and LEUNG Yu-Fai.** "The Construction of an Integrated Policymaking Model for the Formulation of a Competitive Tourism Policy". *Abstracts of the International Hospitality Industry Evolution 2001 CU2 Joint Conference in Hospitality and Tourism* pp.56-57. Hong Kong: The Chinese University of Hong Kong, 2001.01.

## RESEARCH PROJECTS

---

### Service Quality and the Congruency of Employee Perceptions and Customer Perceptions

- ✉ CHEUNG Wai Hung Gordon • HUI King Man (Dept of Marketing)
- ☐ 1 October 2000
- ❖ Research Grants Council (Earmarked Grants)

Traditional comparative studies only examine differences in means and correlations, but ignore other forms of difference. As a result, many inferential pitfalls and substantive errors are likely to go unnoticed. This research introduces a new perspective to cross-group comparison study. The researchers propose that service quality perceptions by employees, corporate customers, and individual customers can differ in many ways. These differences are grouped into two categories. The first category reflects differences in how the dimensions of service quality are perceived, and the second category reflects differences in how service quality is evaluated. The causes for each form of difference as well as its conceptual and practical implications will be provided. The researchers will demonstrate that valid inferences concerning service quality cannot be made unless various forms of difference - not merely differences in overall ratings - are detected and dealt with.

They will identify discrepancies in quality perceptions between corporate and individual customers, as well as between employees and customers. Practical implications for those businesses with differences in perceptions of service quality will be provided. The new perspective can also be used to test for agreement in perceptions of organization culture, perceptual changes for organizational newcomers, or any other research area that deals with perceptual agreement. (CU00032)

---

### A Cross-Cultural and Cross-National Comparative Study of Entrepreneurs in China and the United States

- ✉ CHOW Hau Siu Irene • TAN Justin\*
- ☐ 1 November 2000
- ❖ CUHK Research Committee Funding (Direct Grants)

The field of cross-cultural or comparative management has played an important role in the development of organizational theory. However, a review of the research shows that most cross-cultural studies are actually cross-national studies, which means comparing socio-cultural, political, and economic systems and not just culture. Many

unanswered questions and issues indicate that there is a need to move on to conceptual development and more rigorous hypothesis testing.

In this research, the researchers will propose an alternative framework for cross-cultural research. They will set their study in a cross-national *and* cross-cultural setting in order to learn the impact of national and cultural differences on the subjects. They will use three groups of undergraduates, namely, Chinese in the PRC, Chinese-Americans in the United States, and Caucasian-Americans in the United States, to demonstrate conceptual and methodological issues they propose to investigate. They will design a questionnaire and conduct a survey. The data will be analyzed and the results will be reported in academic conferences in the U.S. and in China. They also anticipate writing several papers for publication in academic journals. (BS00394)

---

### Study of Chinese CEOs: A Value-Based Leadership Approach

- ✉ FU Pingping • Wu Ku Wei\* • HOUSE Robert\* • WU Rong Xian\* • JI Xiao Li\* • YANG Yong Kong\* • FU Yong Gang\*
- ☐ 15 November 2000
- ❖ CUHK Research Committee Funding (Direct Grants)

Proposed by House and his associates in the early 1990s, the value based leadership (VBL) theory synthesized the early leadership theories and is based on a number of assertions in several psychological theories of motivation and behavior. The theory is defined as a relationship between an individual (leader) and one or more followers based on shared values. It is asserted to result in exceptionally strong identification of followers with the leader, leaders' internalized commitment to the vision and the collective, and arousal of follower motives and willingness to work above and beyond the call of duty. Such consequences should particularly appeal to the knowledge workforce in China because of the people-oriented nature of the culture. Editors of 21 Century Research, a journal published in Tsinghua University, think that this theory will lead to a revolution in Chinese leadership theories and will exert major influence on how the Communist Party carries out its political ideological work in the market economy.

By using interviews and questionnaire survey, the designed project is designed to test the model proposed by House and associates and then propose a leadership model that will fit Chinese values. The project will be carried out according to the procedures set by the global research on value-based leadership headed by Professor House in order to compare results cross-culturally with other countries. However, additional hypotheses based on Chinese

cultural values will also be tested. Thus, when completed, The researchers will be able to achieve the following objectives:

- (1) find out how value-based leadership theory applies to the Chinese context;
- (2) propose a Chinese leadership model based on the Chinese values;
- (3) provide Chinese leaders and managers with useful theoretical guidance in their endeavor to modernize the country; and
- (4) contribute to the world literature on cross-cultural leadership and promote understanding and communication between China and the rest of the world.

(BS00537)

---

**Cross-cultural Differences in Group Member Expectations and Outcomes**

✉ HUI Chun • ROUSSEAU Denise\*

☐ 1 August 2000

❖ Research Grants Council (Earmarked Grants)

Corporations all over the world, including Hong Kong and China organizations, have relied more and more on groups as a means to increase productivity. Furthermore, the continuous increase in cross-cultural business operations has necessitated the use of cross-cultural groups to enhance the communication and collaboration between units from different cultures. However, much is still to be learnt about group processes and cultural differences in driving group success. Research evidence has not fully supported the great hopes that teamwork will increase group performance and organizational effectiveness (Erez & Somech, 1996). The researchers suggest that group success might be fruitfully understood by examining the members' expectations for the group and how these expectations drive behavior, perception of others, performance, and satisfaction (Rousseau, 1996). Previous research has also not examined in details how cultural differences affect work groups' interaction processes. Interaction patterns may differ across cultures. For example, work group members in an individualistic culture such as the U.S. may hold different expectations concerning the exchange of obligations than work group members in a collective culture such as Hong Kong and China. Thus, the exchange patterns that lead to success in the U.S. may differ from those that lead to success in Hong Kong and China. Results of this project will aid researchers in understanding and theorizing how group processes and cultural influences affect group outcomes, as well as practitioners on how to build more effective groups both within and across cultures.

(CU00026)

---

**Managing High and New Technology Industries in China**

✉ LAU Chung Ming • LU Yuan • MAKINO Shigefumi • Yeh Rhy Song\* • Chen Xiao Hong\* • Wang Xiao Ruo\*

☐ 1 July 2000

❖ CUHK/HKUST Joint Research on Chinese Business & Management

This project is to study the knowledge management issues of the high and new technology industries in China (including Taiwan and Hong Kong). The focus of study is to uncover the knowledge creation, management, and dissemination process among firms in the region. It is suggested that the process of knowledge management in these firms is focusing on developing their competitiveness in the unstable and volatile market. Firms have to build up their sustainable competitive advantages through developing and/or acquiring strategic resources. Since knowledge is an intangible resource which could be valuable and inimitable by competitors, the process of creating and commercializing the knowledge would be the key to competitive advantage.

(BS20003)

---

**Permanent Failure or Successful Transformation: An Exploratory Study SOEs (State Owned Enterprises) in the PR China**

✉ LU Yuan

☐ 1 September 2000

❖ CUHK Research Committee Funding (Direct Grants)

This is an exploratory research which is to examine why some state owned enterprises (SOEs) have reformed successfully while others have not. Using two distinct theoretical perspectives (organizational transformation versus institutional constraints, inertia and permanent failure), the proposed research attempts to identify the elements of organization-institution interaction, corporate governance, and strategic leadership that affect the transformation of SOEs from formerly centrally planned production units to market-driven competitive firms. The proposed research will focus on old and new SOEs and identify key factors internal and external to the successful transformation of SOEs. Case study research approach will be used as the major method to examine organizational change over the last ten to twenty years in 10 sampled organizations. The research is expected to enrich knowledge of organizational transformation and permanent failure.

(BS20001)

---

**Innovation, Strategies and Performance of Small and Medium-sized Technology-based Enterprises**

- ✉ QIAN Gongming • WANG Yu Long Denis  
☐ 1 November 2000  
❖ CUHK Research Committee Funding (Direct Grants)

Much of the success of the U.S. real economy in recent years can be attributable to the growth and performance of its small and medium sized technology-based enterprises (SMTEs). This project is to study the innovation, strategies and performance of SMTEs in the U.S. and to investigate, as a secondary objective, how the strategies of the successful U.S. SMTEs can be adopted in Hong Kong.

Specifically, the researchers will address three questions:

- (1) What are the strategies adopted by U.S. SMTEs in technological and organizational innovations?
- (2) What are the antecedents and consequences of such strategies on firm performance? And
- (3) How can successful innovation strategies be adopted and used by SMTEs based in Hong Kong given the different institutional environment?

In theory, there is a very close relationship between learning and innovation generation. The literature is broadly in consensus that the basic characteristics of innovative firm are continuous learning, small size, R & D intensity and multinationality. For size, R & D and multinationality, methodologically, the researchers will build a comprehensive database of U. S. SMTEs in order to test how the adoption of different strategic choices affects firm performance. On the issue of learning, the researchers will undertake case studies of successful and unsuccessful SMTEs in the U.S. and Hong Kong.

The outcome will be teaching cases, a new high-tech MBA course and academic and practitioner articles. (BS00555)

---

### Corporate Governance and Strategic Networks in Asia

- ✉ WANG Yu Long Denis • AU Yuk Fai Kevin • PANG Mike\*  
☐ 1 December 2000  
❖ CUHK Research Committee Funding (Direct Grants)

This project studies the patterns of corporate governance in Asian corporations and determines how these different patterns affect corporate performance. A major issue is to examine the strategic networks of Asian firms as embodied in interlocking directorates, defined as the exchange of board directors among corporations. Despite Asian firms' widely acknowledged propensity to engage in networking activities, such research has been rare in Asia.

Intending to address this gap in our knowledge, the researchers propose to explore the patterns of corporate governance and strategic networks among firms in Hong Kong, South Korea and Japan to shed light on the underlying dynamics of interlocking directorships in Asia. This approach is driven by the theoretical rationale suggesting the importance of interlocks as strategic networks, the methodological consideration due to the relative ease to access data from archival sources, as well as the public policy imperative for more knowledge and reforms in light of the Asian financial crisis since 1997. Specifically, the researchers will address three key questions:

- (1) What are the patterns of interlocking directorates among firms in these economies?
- (2) What are the antecedents and consequences of strategic networks embodied in interlocking directorates?
- (3) What are the advantages and disadvantages of these networks?

Methodologically, the researchers will undertake ten case studies. Then they will construct interlocks databases for the top 200 listed companies for these three geographical regions, and employ network analyses to quantitatively explore the research questions. The outcome will be academic and practitioner articles. The research project is a continuation of their recently completed effort of studying corporate governance in Thailand (APJM) and China's Red Chips (ASQ). The researchers have also published several practitioner articles in English and Chinese in Company Secretaries and Hong Kong Economic Journal.

(BS00846)

---

### "Development, Validation, and Application of an EQ Model in the Work Place"

- ✉ WONG Chi Sum • LAW Kenneth S\* • WONG Ping Man\*  
☐ 1 September 2000  
❖ Research Grants Council (Earmarked Grants)

Emotional Intelligence (EQ) has been proposed as an important construct in psychological, educational, and management research and practices. However, there is insufficient scientifically sound evidence for its usefulness in the work place. In this study, the researchers will develop scientifically sound measures of the construct and develop an EQ model in the work place. Then they will collect data in various occupations in Hong Kong to establish some benchmark information for Hong Kong organizations to make meaningful personnel decisions based on the EQ of their employees.

(CU00038)

---

**Please refer to previous issues of this publication for more details of the following ongoing research at the department:**

<u>Edition</u>	<u>Title/Investigators</u>	
		✍ LAU Chung Ming
1998-99	Corporate Turnaround in Hong Kong (BS98013) ✍ AHLSTROM David Christopher • BRUTON Garry*	1998-99 The Embeddedness of Strategic Management in a Transitional Economy: Diversification Strategies in Guangdong Large Industrial Groups (CU98092) ✍ LU Yuan • YEH Ryh Song# • CHOW Hau Siu Irene • BRUTON Garry D.* • HOSKISSON Robert E.* • LAN Hailin*
1999-00	Partner Selection in Strategic Alliances in Greater China: What are the Most Important Selection Criteria and Success Factors? (CU99047) ✍ AHLSTROM David Christopher • HITT Michael A.* • DACIN M. Tina*	1998-99 Diversification and Strategic Management in Large Industrial Groups in Chong Qing, the People's Republic of China (BS98037) ✍ LU Yuan
1999-00	Venture Capital in Hong Kong: Its Role in High Technology Development (BS99029) ✍ AHLSTROM David Christopher • BRUTON Garry*	1998-99 Joint Venture Ownership Structure and Performance: Japanese Joint Ventures in China (CU98093) ✍ MAKINO Shigefumi
1999-00	Mood in Foreign Exchange Trading: Cognitive Processes and Performance (BS99024) ✍ AU Yuk Fai Kevin	1999-00 Technology Sourcing through FDI: The Case of Asian Multinationals in the US, UK, and Japan (CU99052) ✍ MAKINO Shigefumi
1999-00	Exploring Managerial Influence Behaviors that Cross Borders (CU99050) ✍ FU Pingping • GARY Yuki*	1998-99 Determinants to the Performance of Foreign Direct Investment in China (1979-96) (BS98023) ✍ QIAN Gongming
1999-00	Study of Chinese CEOs (Chief Executive Officers): A Value-based Leadership Approach (BS99026) ✍ FU Pingping • HOUSE Robert*	1999-00 Transnationalization in China: The Cases of Chinese, European, and North American Corporations (BS99030) ✍ TSAI Soo Hung Terence
1998-99	The Nature and Outcome of Psychological Contracts: A Longitudinal Study in a Chinese Context (CU98197) ✍ HUI Chun • CHEN Zhen Xiong* • ROUSSEAU Denise*	1999-00 Interlocking Directorates as Strategic Networks in Asia (BS99017) ✍ WANG Yu Long Denis • AU Yuk Fai Kevin
1999-00	Strategic Orientations of Top Management Teams in State-owned Enterprises in China (BS99027)	

## RESEARCH OUTPUTS AND PUBLICATIONS

- <P994680> **KENNELLY J. James and AHLSTROM David.** "From Dairy Cooperative to Multinational Corporation: Managing Multiple Stakeholders at the Kerry Group Plc". Paper presented in the Academy of Management Annual Meeting. Chicago, USA, 1999.08.
- <P994753> **YUKL Gary; FU Ping Ping and MCDONALD Robert.** "Cross-Cultural Differences in Influence Tactics for Initiating or Resisting Change". Paper presented in the 9th European Congress on Work and Organizational Psychology. Helsinki, 1999.05.30.

- <P994754> **YUKL Gary and FU Ping Ping.** "Determinants of Delegation and Consultation by Managers" *Journal of Organizational Behavior* vol.20, pp.219-232. 1999.
- <P994762> **YOUNG N. Michael and TAN Justin.** "Capital Markets and Enterprise Reform in China: Theory Meets Practice". Paper presented in the Asian Federation for Business Education Conference, organized by Asian Federation for Business Education. Hong Kong, 1999.11.15.
- <P000565> **Cheung, Gordon W. and Roger B. Rensvold.** "Cross-National Differences in Attitudes Toward Women's Employment: A 22-Nation Study". Paper presented in the 2000 Academy of Management Annual Meeting at Toronto. Toronto, Canada, 2000.08.
- <P000567> **Rensvold, Roger B. and Gordon W. Cheung.** "Beyond Two-Group Comparisons: Identifying Sets of Invariant Groups". *Academy of Management Proceedings 2000* vol.2000, p.RM:A1-A6. Toronto, Canada, 2000.08.
- <P001014> **Chow, Irene Hau Siu and Ping Ping Fu.** "Change and Development in Pluralistic Settings: An Exploration of HR Practices in Chinese Township and Village Enterprises". *The International Journal of Human Resource Management* vol.11 no.4, pp.822-836. 2000.08.
- <P001224> **Ahlstrom, David and Bruton Garry .** "An Institutional Entrepreneurship Framework of Private Firms in the People's Republic of China". p.34. Toronto, Canada: Academy of Management, 2000.08.08.
- <P001263> **Shen, Wei and Chung-Ming Lau.** "The Strategic Role of Party Secretaries in Chinese State-Owned Enterprises During Economic Reform". *Asian Management Matters : Regional Relevance and Global Impact* ed. by Chung-ming Lau, Kenneth K.S. Law, David K. Tse and Chi-Sum Wong. pp.235-252. London: Imperial College Press, 2000.07.
- <P001264> **Lau, Chung-Ming; Kenneth K.S. Law; David K. Tse and Chi-Sum Wong. ed.** *Asian Management Matter : Regional Relevance and Global Impact.* 423 pgs. London: Imperial College Press, 2000.07.
- <P001268> **Makino, Shige and Kent E. Neupert.** "National Culture, Transaction Costs, and the Choice Between JV and Wholly Owned Subsidiary". Paper presented in Western Academy of Management Shizuoka International Management Conference, organized by Western Academy of Management. Shizuoka, Japan, 2000.07.11.
- <P002291> **Chen, Xiaohong and Lau Chung-Ming.** "Enterprise Reform: A Focus on State-Owned Enterprises". *China Review 2000* ed. by Chung-Ming Lau and Jianfa Shen. pp.191-208. Hong Kong, 2000.10.
- <P002329> **Li, J.I.; Kevin Lam and GongMing Qian.** "High-Tech Industries and Competitive Advantage in Emerging Markets: A Study of Foreign Telecommunications Equipment Firms in China". *The Journal of High Technology Management Research* vol.10 no.2, pp.295-312. USA, 2000.
- <P002330> **Qian, Gongming.** "Performance of U.S. FDI in Different World Regions". *Asia Pacific Journal of Management* vol.17, pp.67-83. Singapore, 2000.
- <P002331> **Qian, Gongming and Ji Li.** "Multinationality, Global Market Diversification and Profitability Among the Largest US Firms". *Journal of Business Research* vol.50, pp.1-11. USA, 2000.
- <P002332> **Qian, Gongming; Denis Wang; Ji Li and Liloyd Yang.** "U.S. Diversification in Global Markets: Strategic Combinations and Performance". *Global Focus* vol.12 no.3, pp.1-12. USA, 2000.
- <P002350> **Chow, Irene Hau-Siu.** "Managerial Values and Practices Sharing Common Cultural Heritage: A Comparison of Cultural Values in Hong Kong, Taiwan and the People's Republic of China". *Journal of Asia-Pacific Business* vol.2 no.4, pp.21-38. 2000.
- <P002415> **CHOW Irene Hau-Siu.** "High Performance Work Systems: Review of the Current Studies, Measurement and Implications". *Proceedings of the 2000 Annual Conference: The Role of*

- Multinational Enterprises in the New Millennium* pp.133-142. Auckland, New, Zealand: Australia - New Zealand International Business Academy, 2000.10.
- <P002622> **NGO Hang-Yue and LUI Steven S.** "Cultural Influence on Women in Management: A Cross-Cultural Investigation". *International Journal of Business Studies* vol.8 no.2, pp.1-21. Australia, 2000.12.
- <P002741> **LU Yuan.** "Entrepreneur Success in China". *Academy of Management Executive* vol.14, pp.12-18. USA, 2000.
- <P002742> **LU Yuan and TSAI Terence.** "Foreign Direct Investment Policy in China". *China Review 2000* ed. by Lau Chung Ming and Jianfa Shen. pp.223-247. Hong Kong: Chinese University Press, 2000.
- <P002743> **PENG Mike W.; LU Yuan; SHENKAR O. and WANG Denis.** "Treasures in the China House". *Journal of Business Research* vol.51, pp.1-16. USA, 2000.
- <P002744> **BJORKMA Igmar and LU Yuan.** "Local or Global? HRM in International Joint Ventures in the People's Republic of China". *Changing Workplace Relations in the Chinese Economy* ed. by Malcom Warner. pp.117-138. UK: St. Martin's Press, 2000.
- <P002745> **BRUTON Garry; LAN Hailin and LU Yuan.** "Understanding Business Success in China". *Academy of Management Executives* vol.14, pp.19-30. USA, 2000.
- <P002782> **MAKINO Shige; LAU Chung-Ming and YEH Ryh-Song.** "Asset Exploitation Versus Asset Seeking: Implications for Location Choice of Foreign Direct Investment from Newly Industrialized Economies". Paper presented in AoE Working Paper Series, organized by the Chinese University of Hong Kong, Faculty of B.A. Hong Kong 2000.10.
- <P002783> **MAKINO Shige and NEUPERT Kent E.** "National Culture, Transaction Costs, and the Choice Between Joint Venture and Wholly Owned Subsidiary". *Journal of International Business Studies* vol.31 no.4, pp.705-713. 2000.
- <P002784> **LAU Chung Ming; MAKINO Shigefumi and CHEN Xiaohong.** "Managing High and New Technology Industries in China". Paper presented in Asia Academy of Management, organized by National University of Singapore. Singapore, 2000.12.17.
- <P002969> **BRUTON D. Garry; AHLSTROM David and CHAN S. Eunice.** "Foreign Firms in China: Facing Human Resources Challenges in a Transitional Economy". *SAM Advanced Management Journal* vol.65 no.4, pp.4-11. 2000.
- <P002986> **PENG W. Mike and WANG Y. Denis.** "Innovation Capability and Foreign Direct Investment: Toward a Learning Option Perspective". *Management International Review* vol.40 issue 2000/1, pp.79-93. Germany, 2000.
- <P002987> **PENG W. Mike; HILL W.L. Charles and WANG Y.L. Denis.** "Schumpeterian Dynamics Versus Williamsonian Considerations: A Test of Export Intermediary Performance". *Journal of Management Studies* vol.37 no.2, pp.167-184. Oxford, England, 2000.03.
- <P003174> **HUI Chun; LAM S.K. Simon and LAW K.S. Kenneth.** "Instrumental Values of Organizational Citizenship Behavior for Promotion: A Field Quasi-Experiment". *Journal of Applied Psychology* vol.85 no.5, pp.822-828. 2000.
- <P003465> **FU Ping Ping and YUKL Gary.** "Perceived Effectiveness of Influence Tactics in the United States and China". *Leadership Quarterly* vol.11 no.2, pp.251-266. 2000.
- <P003467> **AU Y. Kevin.** "Intra-Cultural Variation as Another Construct of International Management: A Study Based on Secondary Data of 42 Countries". *Journal of International Management* vol.6, pp.217-238. 2000.

- <P003468> **CHOW Hau Siu Irene.** "High Performance Work Practices: Findings from Asia Companies". *Proceedings: The 2nd Asia Academy of Management Conference/Managing in Asia: Colleges and Opportunities in the New Millennium* Singapore, 2000.12.
- <P004035> **YOUNG N. Michael and MCGUINNESS B. Paul.** "Improving the Effectiveness of Stock Markets in SOE Reform: Views from Strategic Management and Finance". *Abstracts of the Asian Academy of Management Conference* p.16. Singapore, 2000.12.
- <P004036> **YOUNG N. Michael and TAN Justin.** "Beijing Jeep Faces the Challenges Posed by China's Entry into the WTO". Paper presented in the Asian Business Case Writing Conference, organized by Asian Case Research Journal Singapore, 2000.
- <P004143> **MAR Pamela and YOUNG N. Michael.** "Corporate Governance Changes Accompanying the Metamorphosis from State-Owned Enterprise to 'Shareholding Corporation' a Case Study of Two Chinese Airlines". Paper presented in the Academy of Management Annual Meeting, organized by Academy of Management. p.32. Toronto, Canada, 2000.08.06.
- <P010296> **NGO Hang-Yue.** "Youth Unemployment and Training in Hong Kong: A Preliminary Analysis". *Asian Profile* vol.29 no.2, pp.109-118. Canada, 2001.04.
- <P010434> **AU K.; VERTINSKY I. and WANG D.** "New Public Management in Hong Kong: The Long March Toward Reform". *Learning from International Public Management Reform* ed. by Lawrence R Jones, James Guthrie and Peter Steane. pp.311-335. Oxford, New York: Elsevier Science Ltd., 2001.
- <P010441> **劉忠明.** <如何用個案方法研究企業管理問題>. 論文發表於《第一屆海峽兩岸暨港澳地區中國企業管理案例研究學術研討會》，主辦機構為大連理工大學、香港中文大學、台灣政治大學。大連，中國，2001.05.26.
- <P010457> **TURBAN B. Daniel; LAU Chung-Ming; NGO Hang-Yue; CHOW H.S. Irene and SI X. Steven.** "Organizational Attractiveness of Firms in the People's Republic of China: A Person-Organization Fit Perspective". *Journal of Applied Psychology* 2nd ed., vol.86, pp.194-206. USA, 2001.04.
- <P010458> **MAKINO Shige and CHAN M. Christine.** "Interorganizational Imitation and Foreign Ownership Strategy". Paper presented in Cooperative Strategies and Alliances: What We Know 15 Years Later, organized by IMD and Rutgers University. Lausanne, Switzerland, 2001.05.20.
- <P010479> **CHOW Hau Siu Irene.** "The Ethics of Cyberveillance in a Global Context". *Proceedings: Managing in a Global Economy IX Eastern Academy of Management* San Jose, Costa Rica, 2001.06.18.
- <P010724> **TIAN J. Jenny and LAU Chung-Ming.** "Board Composition, Leadership Structure and Performance in Chinese Shareholding Companies". *Asia Pacific Journal of Management* vol.18 no.2, pp.245-263. The Netherlands, 2001.
- <P010901> **LAU Chung-Ming and NGO Hang-Yue.** "Organization Development and Firm Performance: A Comparison of Multinational and Local Firms". *Journal of International Business Studies* vol.32 no.1, pp.95-114. USA, 2001.
- <P010916> **NGO Hang Yue.** "Perceptions of Gender Inequality at Work in Hong Kong". *Asian Journal of Women Studies* vol.7 no.1, pp.111-132. Korea, 2001.
- <P010969> **SI Steven X.; AHLSTROM David and HUO Paul.** "A Study of Organization Learning in the Sino-Foreign International Joint Ventures" *Global Focus* vol.13 no.2, pp.1-10. 2001.
- <P010970> **BRUTON Garry D.; AHLSTROM David and WAN C.C. Johnny.** "Turnaround Success of Large and Midsized Chinese Owned Firms: Evidence from Hong Kong and Thailand". *Journal of World Business* vol.36 no.2, pp.146-165. 2001.



- <P011513> **YOUNG N. Michael; AHLSTROM David; BRUTON D. Garry and CHAN S. Eunice.** "The Resource Dependence, Service and Control Functions of Boards of Directors in Hong Kong and Taiwanese Firms". *Asia Pacific Journal of Management* vol.18 no.2, pp.223-244. Singapore, 2001.
- <P011514> **MAR Pamela and YOUNG N. Michael.** "Corporate Governance in Transition Economies: A Case Study of Two Chinese Airlines". *Journal of World Business* vol.36 no.3, pp.280-302. New York, USA, 2001.
- <P011517> **YOUNG N. Michael and TAN Justin.** "Beijing Jeep at a Crossroads: Facing the Challenge of China's Entry into the WTO". *Asian Case Research Journal* vol.5, pp.1-26. Singapore, 2001.
- <P011630> **TJOSVOLD Dean; HUI Chun and LAW S. Kenneth.** "Constructive Conflict in China: Cooperative Conflict as a Bridge Between East and West". *Journal of World Business* vol.36, pp.166-183. 2001.

see also <P002887>, <P008141>, <P009661>, <P010196>, <P010363>, <P016550>, <P018101>, <P997380>

## RESEARCH PROJECTS

---

### **The Adaptability of WOM (Word-of-Mouth) Communication in an On-line Setting**

- ✉ CHAN Hak Sin
- ☐ 1 April 2001
- ❖ CUHK Research Committee Funding (Direct Grants)

Despite the consensus that word-of-mouth (WOM) communication is among the most influential sources of consumer information, there has been little research on the characteristics of the information exchanged between consumers in the marketplace. Previous work has focused on the frequency and probability of WOM communication, while largely ignoring the complexity and dynamics of its *content*. The proposed research departs from the information-transmission approach, which implicitly assumes a fixed message, and instead views WOM communication as the outcome of an *adaptive social process*. Drawing on a conceptual framework that postulates WOM behavior as reflecting the interplay between newsworthiness and trustworthiness concerns, several hypotheses regarding the adaptability of WOM communication will be examined in two experiments. Further insights into WOM adaptability will be obtained through verbatim analysis of WOM data. The results will serve to enrich theoretical understanding of the all-important WOM behavior and point to new directions for research. (BS00875)

---

### **The Impact of Empowerment on Employee and Customer Satisfaction: A Comparison between Service Organisations in PRC, Hong Kong SAR and North America**

- ✉ HUI King Man • AU Yuk Fai Kevin (Dept of Management) • Ilan Vertinsky\*
- ☐ 1 December 2000
- ❖ Research Grants Council (Earmarked Grants)

The primary objective of the research project is to examine the moderating effects of social and marketing culture on the relationships between empowerment and satisfaction of service employees and customers. In a collectivist culture with high power distance, service employees from PRC and Hong Kong SAR may be more tolerant to role conflict and ambiguity, and may show less favorable attitudes towards discretion and responsibilities in their jobs. Moreover, members from PRC companies are expected to lag behind their Hong Kong SAR and North American counterparts in terms of customer orientation (i.e., determine the needs and wants of

customers and deliver the desired satisfaction). This variation in customer orientation may moderate the impacts of empowerment on the extent of role conflict and ambiguity experienced by service employees. Moreover, in a large nation like PRC, the researchers also expect cultural variations across different geographic areas and types of organizations (state enterprises vs joint ventures). This project will examine how between-nation as well as within-nation cultural variations may moderate the impacts of empowerment on service employees and customers in North America, PRC and Hong Kong SAR. Diverse types of method, including in-depth interviews with management and employees, survey with service employees and customers, and laboratory experiments will be employed to develop and test hypotheses in relating to their basic proposition. (CU00030)

---

### **Consumer Preference Uncertainty: Effect of Attribute Conflict in Judgement and Choice**

- ✉ JIA Jianmin • Mary Frances Luce\*
- ☐ 1 October 2000
- ❖ Research Grants Council (Earmarked Grants)

This research project focuses on consumer preference uncertainty in multiattribute judgment and choice decisions. The researchers investigate preference uncertainty as a function of stimulus characteristics such as attribute conflict (discrepancy among the attributes of a product), attribute extremity (very high or low attribute values), and tradeoff uncertainty. Consumer decisions often involve products with conflicting attributes; that is, a choice alternative is typically defined in terms of both attractive and unattractive features. Thus, you have to resolve the conflict of attributes by gaining some attractive features but also accepting some (at least relatively) unattractive features in your decisions.

Following their most recent research effort regarding the effects of attribute conflict and extremity in a judgment task, the researchers develop formal measures of attribute conflict and extremity and study their effects on preference uncertainty in both consumer judgment and choice decisions. Based on a random additive multiattribute utility model using Dirichlet weights and a one-parameter family of random attribute utility, the researchers derive analytic results for both multiattribute judgment and choice problems. Then they test their measures and models empirically by using the consumer purchase contexts of laptop computers, cars, vacation tours and others. The subjective measures of preference uncertainty will be based on response variation, confidence interval, and response time. The researchers expect to show that greater attribute conflict leads to larger response variation, wider confidence intervals and longer response times in consumer judgement and choice decisions. Finally,

they discuss implications of their research findings to marketing practice.  
(CU00031)

---

**DHBG-CUHK CRM (Customer Relationship Management) Joint Project**

- ✍ LAU Kin Nam • LEUNG Pui Lam William (Dept of Statistics)
- ☐ 8 January 2001
- ❖ Dao Heng Bank

This is a study on the design and implementation of a "Customer Relationship Management" system for Dao Heng Bank. Project deliverables include:

- (1) data fusion;
  - (2) data cleansing;
  - (3) data mining;
  - (4) CRM applications; and
  - (5) skill and experience transfer.
- (BS00615)

---

**The Design and Implementation of a CRM (Customer Relationship Management) System for CITIC Ka Wah Bank**

- ✍ LAU Kin Nam • LEUNG Pui Lam William (Dept of Statistics)
- ☐ 8 January 2001
- ❖ CITIC Ka Wah Bank Limited

This is a study on the design and implementation of a "Customer Relationship Management" system for CITIC Ka Wah Bank. Project deliverables include:

- (1) data fusion;
  - (2) data cleansing;
  - (3) data mining;
  - (4) CRM applications; and
  - (5) skill and experience transfer.
- (BS20007)

---

**CRM (Customer Relationship Management) Feasibility Study for Hong Kong Chinese Bank**

- ✍ LAU Kin Nam
- ☐ 12 February 2001
- ❖ Hong Kong Chinese Bank

This is the feasibility study on the design and implementation of a "Customer Relationship Management" (CRM) for Hong Kong Chinese Bank. The researcher will study the organization, IT infrastructure and information systems of the bank, and make recommendations for CRM deployment.  
(BS20006)

---

**Internet Usability Project**

- ✍ YU Hung Hsua Julie • SMITH Scott\*
- ☐ 1 April 2001
- ❖ CUHK Research Committee Funding (Direct Grants)

E-commerce has clearly begun to take hold in many markets, as evidenced by the fact that B2B internet commerce approaches a significant share of GDP in many developed countries. The shift away from transaction-based marketing toward relationship marketing indicates that marketers must develop e-marketing strategies if they are to prosper in the future. The internet has very quickly empowered consumers with more information than they have ever had in the past. Therefore, it is critical that professionals understand the demographics, psychographics, and shopping profiles of these new technology-savvy consumers. This research project undertakes a cross-cultural study of the diffusion of internet shopping and consumer attitudes in several different markets.  
(BS00343)

---

**Please refer to previous issues of this publication for more details of the following ongoing research at the department:**

<u>Edition</u>	<u>Title/Investigators</u>
1999-00	Data Fusion, Data Mining and Decision Support System: Bank Marketing in the Twenty-First Century (BS99001) ✍ CHAN Chi Fai Andrew • LAI Siu King Vincent (Dept of Decision Sciences and Managerial Economics) • LAU Kin Nam • LEUNG Kwong Sak (Dept of Computer Science and Engineering) • LEUNG Pui Lam William (Dept of Statistics) • LEUNG Yee (Dept of Geography & Resource Management)
1999-00	The Impact of Empowerment on Employee and Customer Satisfaction: A Cross-Cultural Comparison (BS99019) ✍ HUI King Man • AU Yuk Fai Kevin (Dept of Management)
1998-99	Empirical Studies of Risk-Value Theory and Its Applications (CU98098) ✍ JIA Jianmin • DYER James S.* • INGENE Charles Arthur#
1989-90	Cultural Differences in Family Decision-Making (AB88037) ✍ YU Hung Hsua Julie
1989-90	The Impact of Cultural Values on Consumer Behaviour and Acceptance of Specific Products (AB90045)

✉ YU Hung Hsua Julie • ALBAUM  
Gerald\*

## RESEARCH OUTPUTS AND PUBLICATIONS

- <P987333> **Zhu, Guolie; Speece Mark W. and SO Lai Man Stella.** "Cross-Cultural Management in China: Conflict in Sino-European Joint Ventures". J. Selmer pp.13-28. London, UK: London: Routledge, 1998.
- <P989221> **Speece Mark W. and SO Lai Man Stella.** "Marketing and Consumer Behavior in East and South-East Asia: The Consumer Market in the 1990s". *Anthony Pecotich; Clifford J Shultz II* pp.213-250. NSW, Australia: McGraw-Hill, 1998.
- <P002110> **Sin, Leo Y.M. and Alan C.B. Tse.** "How does Marketing Effectiveness Mediate the Effect of Organizational Culture on Business Performance? The Case of Service Firms". *Journal of Services Marketing* vol.14 no.4, pp.295-309. UK, 2000.08.
- <P002431> **Yau, Oliver H.M.; Peter R. McFetridge; Raymond P.M. Chow; Jenny S.Y. Lee; Leo Y.M. Sin and Alan C.B. Tse.** "Is Relationship Marketing for Everyone?". *European Journal of Marketing* vol.34 no.9/10, pp.1111-1127. 2000.
- <P002785> **SIN Leo Y.M.; TSE Alan C.B.; YAU H.M. Oliver; LEE S.Y. Jenny; CHOW Raymond and LAU B.Y. Lorett.** "Market Orientation and Business Performance: An Empirical Study in Mainland China". *Journal of Global Marketing* vol.14 no.3, pp.5-29. USA, 2000.
- <P002811> **SIN Y.M. Leo; HO Suk-Ching and SO L.M. Stella.** "An Assessment of Theoretical and Methodological Development in Advertising Research on Mainland China: A Twenty-Year Review". *Journal of Current Issues and Research in Advertising* vol.12 no.2, pp.53-69. USA, 2000.
- <P002833> **CHAU Long-Fung Lewis; CHAN Chi-Fai Andrew and LIU S. Sandra.** "Company Information and the Adoption of Business-to-Business Websites in Individualistic and Collective Cultures: A Tentative Model". *Proceedings of the 3rd International Conference on Operations and Quantitative Management* ed. by Omprakash K. Gupta and Ravi Seethamraju. pp.112-117. Sydney, Australia: University of Western Sydney, 2000.12.
- <P002959> **LAU Ho-Fuk; KWOK C.Y. Chuck and CHAN Chi-Fai.** "Filling the Gap: Extending the International Product Life Cycle to Emerging Economies". *Journal of Global Marketing* vol.13 no.4, pp.29-51. 2000.
- <P007664> **FISCHER G. W.; JIA Jianmin and LUCE Mary Frances.** "Attribute Conflict and Preference Uncertainty: The RandMAU Model". *Management Science* vol.46 no.5, pp.669-684. USA, 2000.
- <P008399> **JIA Jianmin; LUCE Mary Frances and FISCHER G. W.** "Consumer Preference Uncertainty: Measures of Attribute Conflict and Extremity". Paper presented in the INFORMS National Meeting San Antonio, USA, 2000.11.05.
- <P009758> **SO Lai Man Stella.** "Relationship Marketing and its Impact on the Advertiser-Agency Relationship in a Chinese Society". *Proceedings of The International Marketing Educators Conference* Buenos Aires, Argentina: American Marketing Association, 2000.06.28.
- <P010196> **HUI K. Michael and AU Kevin.** "Justice Perceptions of Complaint-Handling: A Cross-Cultural Comparison between PRC and Canadian Customers". *Journal of Business Research* vol.52, pp.161-173. USA, 2001.05.

- <P010206> **BAGOZZI Richard P.; LEE Kam-Hon and VAN LOO M. Frances.** "Decisions to Donate Bone Marrow: The Role of Attitudes and Subjective Norms across Cultures". *Psychology and Health* vol.16, pp.29-56. Europe, 2001.
- <P010276> **SIN Yat-Ming Leo and YAU Hon-Ming Oliver.** "Female Role Orientation and Consumption Values: Some Evidence from Mainland China". *Journal of International Consumer Marketing* vol.13 no.2, pp.49-75. USA, 2001.06.
- <P010289> **CHAN Chi-Fai and HOLBERT Neil Bruce.** "Marketing Home and Away: Perceptions of Managers in Headquarters and Subsidiaries". *Journal of World Business* vol.36 no.2, pp.205-221. 2001.
- <P010328> **LO T. Wing-Chun; LAU Ho-Fuk and LIN Gong-Shi.** "Problems and Prospects of Supermarket Development in China". *International Journal of Retail & Distribution Management* vol.29 no.2, pp.66-75. England, 2001.
- <P010680> **HO Suk-Ching.** "From Public-Financing to Self-Financing-A Tale of Two Trading Funds in Hong Kong". *International Journal of Public Administration* vol.24 no.4, pp.341-354. USA, 2001.
- <P010696> **SIN Leo Yat Ming and HO Suk-ching.** "An Assessment of Theoretical and Methodological Development in Consumer Research on Greater China: 1979-1997". *Asia Pacific Journal of Marketing and Logistics* vol.13 no.1, pp.3-42. UK, 2001.
- <P010904> **HO Suk-Ching.** "Growing Consumer Power in China: Some Lessons for Managers". *Journal of International Marketing* vol.9 no.1, pp.64-83. USA, 2001.
- <P017621> **TANG Fangfang.** "Anticipatory Learning in Two-Person Games: Some Experimental Results". *Journal of Economic Behavior and Organization* vol.44 no.2, pp.221-232. New York, USA, 2001.02.
- <P018107> **CHAN Hak Sin.** "Word-of-Mouth Communication: A Conceptual Framework and Empirical Tests". *Proceedings of the Society for Consumer Psychology* ed. by Susan E. Heckler and Stewart Shapiro Arizona, USA: Society for Consumer Psychology, 2001.02.
- <P019187> **TSE Ching-biu Alan and LEE Ruby P.W.** "Zapping Behaviour During Commercial Breaks". *Journal of Advertising Research* ed. by Arthur J. Kover vol.41 no.3, pp.25-29. USA: The Advertising Research Foundation, 2001.05.