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Faculty of

Business Administration

RESEARCH PROJECTS

Differential Market Impacts on Voluntary Disclosure

- ✍ CHENG Shu Tong
- ☐ 1 October 1996
- ❖ CUHK Research Committee Funding

Among the possible contributors to the informational efficiency of the securities markets are the voluntary releases by corporate managers of public forecasts of their firms' future earnings. Firms make voluntary earnings and sales forecasts in the financial press from time to time. It has been established in the accounting literature that there is high correlation between earnings forecasts and the firms' abnormal returns around the date of announcement. There are various forms of forecasts that firms made: point, range, maximum, minimum, and qualitative. These forecasts provide various levels of information precision to the investors. Intuition tells the researcher that investors would react differently with respect to the types of announcement. A qualitative earnings forecast that provides no numerical value would have less information content than a more precise forecast like a point estimate. A sample of firms that made forecast announcement is obtained from the Wall Street Journal index and the Dow Jones Retrieval Service. Abnormal returns on a three day event window are calculated and associated with the various forms of voluntary forecasts. The impacts of earnings announcements are compared with those of sales forecasts under the different announcement formats. Finally, the researcher will conduct test to investigate whether there are differential security price impacts on announcements among the major industries. (BS96004)

Voluntary Disclosure by Hong Kong Listed Companies: A Cultural-Economic Analysis

- ✍ HO Shun Man Simon
- ☐ 1 October 1996
- ❖ CUHK Research Committee Funding

It is well recognized that the quality of corporate disclosure influences to a great extent the performance of investment and loan decisions made by annual report users. Since the disclosure of more information is not costless, it well therefore be important and interesting to understand why some firms disclose more information than others. While studies on the causes and nature of disclosure have been carried out in a number of countries, this issue is relatively unexplored in Hong Kong. This is surprising since Hong Kong is not only a major

international business and financial centres but also a unique cultural setting and economic setting. The project aims to investigate the impact of a number of cultural, economic and corporate governance variables on the extent of voluntary disclosure of listed companies in Hong Kong.

By identifying a comprehensive list of important disclosure items and surveying the perceived importance of each item by about 200 major financial statements users in Hong Kong, both unweighted and weighted aggregate disclosure scores will be computed. The identified potential factors will then be tested by multivariate statistical methods to see if they could explain the variability in the disclosure scores. Besides testing/modifying the theories used in the proposed study and determining whether these theories are applicable to eastern countries, the project findings should have important implications for improving accounting/disclosure choice decisions of multinational companies. (BS96005)

The Determinants and Valuation Effects of Financial Disclosure and Related Choices by Listed Chinese Enterprises

- ✍ LEE Dominica Suk Yee ● CHOW Chee Woo ● TANG Yun-wei* ● WU Yuwu Woody ● HAN Jerry C. Y.*
- ☐ 23 August 1996
- ❖ Research Grants Council

This study will investigate four major and related issues pertaining to the Chinese business enterprises listed on China's two stock exchanges - Shanghai and Shenzhen:

- (1) To what extent do investors make use of financial information disclosed by these enterprises, as manifested in relations among their disclosed information and share prices, bid/ask spreads and trading volumes?
- (2) Do investors react differently to financial data which are subject to different degrees of management discretion in their derivation?
- (3) Do investor use of the disclosed information depend on certain characteristics of the listed enterprises? and
- (4) To what extent are these enterprises responsive to market forces (as manifested in investors differential use of disclosed information) by varying their financial disclosure and internal governance practices? At a general level, this study will help to advance understanding of the incentives for, and consequences of companies' disclosure and governance choices in the capital market. Specifically in the case of China and Hong Kong, the findings will increase understanding of listed Chinese enterprises' disclosure practices and governance choices, and the role that these choices play in the Chinese capital market. Beyond helping investors to

fine-tune their evaluations of Chinese investment opportunities, the results of this study can assist Chinese regulatory agencies in assessing the desirability and impacts of policies related to disclosure and governance. To the extent that such policies impact the direction and pace of China's economic development, they also can affect Hong Kong's future importance and niche relative to the Mainland Chinese economy.
(CU96401)

An Empirical Study of the Information Content of Negative Earnings

- ✍ LEW Yee Hong ● CHAN Koon Hung
□ 1 October 1996
❖ CUHK Research Committee Funding

Interest in the CAPM has resulted in a proliferation of research linking accounting earnings to market returns. In spite of the noted interest, there is a lack of research on negative earnings. In light of the fact that negative earnings announcements are frequent business phenomena, their impact on stock prices is an important issue requiring empirical scrutiny. The objective of this study is to investigate the information content of negative earnings. Information content is defined as the existence of a significant relationship between initial negative earnings announcements and stock prices. Establishment of the relationship provides the basis for additional tests on the impact of firm size and price-earnings ratios in security pricing, especially when negative earnings are announced.
(BS96006)

Hong Kong Financial Users' Perceptions of the Bases of Litigation Against Auditors

- ✍ MAJID Abdul ● LEE Grace Meina
□ 1 November 1996
❖ CUHK Research Committee Funding

The proposed study will examine financial statement users' perceptions of the effects of management fraud, errors and defalcations on the likelihood that they would favour litigation against the auditors. The financial statement users will be liquidators of Hong Kong companies to be identified through the office of the Hong Kong Official Receiver. The information will be elicited through a lens model type questionnaire (repeated-measures design), to determine the ranking inter se of management fraud, employee defalcations and errors as the bases of litigation against auditors. The results of further analysis regarding the quality of the judgement of the respondents in terms of consensus and insights will also be provided.
(BS96007)

Preemption, Signal Informativeness, and the Incremental Information Content of the Annual and 10-K Reports

- ✍ QI Daqing
□ 1 November 1996
❖ CUHK Research Committee Funding

Recently the effectiveness of corporate disclosures in financial reporting has received considerable professional, regulatory, standard-setting, and academic scrutiny. In this project, the researcher seeks to provide input into the ongoing debate by examining the incremental information content of annual and 10-K reports. More specifically, he intends to address the following two research questions: (1) whether stock returns exhibit abnormal behavior in a three-day event period centered around the earlier of the dates on which the Securities and Exchange Commission (SEC) receives and makes available to the public annual reports to shareholders (ARS) and 10-K reports (10-K), and (2) if abnormal returns behavior is not observed around the receipt and release of these SEC filings, what alternative explanations may account for its absence.

This project differs in three ways from previous studies that examine the incremental information content of the ARS and 10-K. First, it explicitly controls cross-sectional differences in information disclosed prior to the release of these reports and the informativeness of these reports themselves. Second, it conducts tests based on both square market model errors and the empirical relation between returns and unexpected earnings. Third, it will explicitly examine alternative explanations that may have reduced the incremental information content of the ARS and 10-K.
(BS96008)

On the Timing of Earnings Announcement for Listed PRC Companies

- ✍ WU Yuwu Woody
□ 1 November 1996
❖ CUHK Research Committee Funding

This study will investigate one major issue pertaining to the Chinese companies listed on China's two stock exchanges -- Shanghai and Shenzhen: the timing of earnings announcement. It will examine the pattern of earnings announcement and, subsequently, to what extent investors can make use of such information. At a general level, this study will help to advance understanding of the incentives for, and consequences of, company's information dissemination policy in the capital market. Specifically in the case of China and Hong Kong, the findings will increase understanding of listed Chinese enterprises' disclosure practices. While there is a

deep concern about the unbiasedness and accuracy of earnings information disclosed by Chinese listed companies, this study may help investors in identifying a new source of information and assist them in utilizing the information. Beyond helping investors to fine-tune their utilization of information contained in the timeliness of earnings announcement, this study can shed light on the argument among academics about why firms announce good news earlier than bad news.
(BS96009)

Compensation Schemes and Managerial Performance (CU94405)
✍ GUL Ferdinand A. K. ● TSUI Judy*
● CHIA Yew Ming*

1995-96 Chinese Tax Regimes Governing Foreign Investment (BS95026)
✍ JIANG Zhaodong

1994-95 Audit Qualification, Low-Balling and Auditor Switching (SS94031)
✍ LEE Dominica Suk Yee

1994-95 Attitudes Towards Information Ethics: A Comparison of Managers in China, Hong Kong, and Taiwan (SS94032)
✍ LEE Grace Meina

Please refer to previous issues of *Research Projects Summary* for more details of the following ongoing research at the department:

Edition Title/Investigators

1995-96 An Audit Scheduling Model in a Computer Decision Aid Framework for External and Internal Audits of Multinational and Multilocal Companies (CU93118)
✍ CHAN Koon Hung

1995-96 Simplification of the Securities (Disclosure of Interests) Ordinance in Hong Kong (LA95008)
✍ LOW Chee Keong

1995-96 Field Studies on Related-Party Transactions for Multinational Corporations Operating in China (CU94001)
✍ CHAN Koon Hung ● CHOW Lynne*

1995-96 Earnings Manipulation and Management Buyout (BS94009)
✍ WU Yuwu Woody

1995-96 A Cross-Cultural Management Accounting Study of the Determinants of

1995-96 Ownership Structure Reform and Corporate Performance: An Empirical Evaluation of Chinese Shareholding Companies (BS95025)
✍ WU Yuwu Woody

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RESEARCH PROJECTS

The Performance, Scalability, and Adaptiveness of the Metadatabase Approach for Heterogeneous Distributed Information Systems Integration

- ✍ CHEUNG Wai Man
- ☐ 1 October 1996
- ❖ CUHK Research Committee Funding

Today's enterprises typically employ multiple information systems, which are independently developed, locally administered and different in logical or physical designs. Therefore, a fundamental challenge in enterprise information management is the sharing of information for enterprise users across organizational boundaries. Conventional technologies, such as schema-based query languages and hard-coded schema integration are not sufficient to solve this problem as they impose rigid requirements to the local systems. This research proposes to develop new methods that utilize an on-line repository of enterprise metadata - the metadatabase - to facilitate information sharing and processing with certain desirable properties such as adaptiveness and open systems architecture.

The Project Information Management Systems (PIMS) of the Airport Authority will serve as the test bed for the systems integration using the Metadatabase (i.e., the enterprise data and knowledge repository) approach. Three heterogeneous sub-systems will be selected from the PIMS for the first stage of the integration work to demonstrate the feasibility and functionality of information sharing. In the second stage, additional sub-systems will be integrated and subsequently, the adaptiveness and performance issues will be evaluated for the approach. As the number of subsystems increased, the researchers expect to stretch the metadatabase approach in terms of adaptability and performance measure. Lessons learned will help to further refine the metadatabase approach. (BS96010)

An Investigation of the Property Market of Hong Kong

- ✍ CHOI Hak
- ☐ 1 November 1996
- ❖ CUHK Research Committee Funding

This project intends to study the property market of Hong Kong. Hong Kong has very limited resources in this area, however, the wants is ever increasing. Many people believe that the Government undertakes a high land price policy. Given the market economy, it is hardly possible the government action alone can push up land or property price. However, the

property market in Hong Kong is under transformation, from one with heavily public support on public housing to one more towards user pay principle. Thus it is important to study this market, and to see how far people are affected by government policy. (BS96011)

The Implementation of Intranets in Support of Corporate Distributed Computing Strategy: Some Experiences of Hong Kong

- ✍ LAI Siu King ● MAHAPATRA Radha*
- ☐ 1 November 1996
- ❖ CUHK Research Committee Funding

Intranet is a private corporate network, which is based on internet technology. It is used for a variety of strategic and tactical communications purposes. Although several organizations in Hong Kong have already set up, or are considering to implement intranets, many others are still grappling with fundamental questions. Among the many critical issues about intranet, four are found to be of particular interest and relevance: (1) How does an organization decide what information to be posted on intranet? (2) What technical issues need to be resolved to evolve to intranet? (3) What document management techniques can be used to create, disseminate, convert, and update documents in intranet environment? (4) What experiences can be drawn from early intranet adopters to guide potential adopters in implementing this technology? This research, based on empirical data from organizations in Hong Kong, will explore the usage of intranets and investigate the business, technical, and organizational issues associated with the implementation of this 'information hub'. (CS96015)

A Comparative Study of Quality Management Practices and Performance Results of Companies with and without ISO 9000 Certification in Hong Kong Industry

- ✍ LEE Tien Sheng
- ☐ 1 March 1997
- ❖ CUHK Research Committee Funding

This research aims at providing an empirical study to compare the differences in quality management practices and performance results of companies with and without ISO 9000 certification.

This research will identify salient attributes of quality management practices. This will help managers to focus on the critical success factors of quality management for strategic improvement. (BS96027)

Risk Assessment & Risk Allocation of Infrastructure

- ✉ LEUNG Chi Kin Lawrence ● HO Raymond P.*
● HUI Yer V.*
- ☐ 1 November 1996
- ❖ CUHK Research Committee Funding

In the modernization of China's economy, developing the country's infrastructure is vital. Over the years, there is a trend for many governments to retreat from their traditional role of financing public utility and to turn to the private sector for the financing of major infrastructure projects. China is no exception, where projects are often secured in part or in whole on their cash-flow expectation. However, with the country's economy in transition and with infrastructure project's inclination to cost overrun, decision makers are often unclear about the nature as well as the amount of risk involved.

Infrastructure projects typically involve multiple parties: government (client), developers, financiers, contractors, consultants, etc. The risk situations as well as their tolerable/aspired levels are different. This research attempts to develop a multi-attribute risk model to assess the risks involved for the major parties and subsequently for the whole project. Such a model would provide infrastructure participants with a rational view to risk sharing and risk management. Further, proposed plans can be evaluated and an alternative agreeable to all parties can be determined. Strategic risk issues as well as critical risk factors for China's infrastructure projects can also be identified. (BS96012)

Please refer to previous issues of *Research Projects Summary* for more details of the following ongoing research at the department:

Edition	Title/Investigators
1995-96	A Stock Investment Decision Support System for Hong Kong and China Markets (BS95011) ✉ CHEUNG Wai Man ● MOK Man Kwong Henry
1995-96	A Theoretical Study of Periodically New Product Introduction (BS95016) ✉ CHIU Yiu Wah
1994-95	Study of Hong Kong - China Joint Ventures in Manufacturing Industry in the Peoples' Republic of China (SS94053) ✉ KIM Seung Chul
1994-95	An Empirical Study of International Trade Negotiation: The Case of Taiwan versus United States of America (SS94050) ✉ LEE Ching Chyi
1995-96	TQM, Customer Focus and Competitive Advantages in Selected Hong Kong Financial Institutions (BS95027) ✉ LEE Tien Sheng
1995-96	Underpricing of New Issues and Their Volatility in China's Stock Markets (CU93401) ✉ MOK Man Kwong Henry ● HUI Yer Van*
1995-96	Foreign Investment and Economic Development in The People's Republic of China (CU94402) ✉ YU Eden Siu Hung ● FUNG Ka Yiu Michael

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see also <P961676>, <P963435>, <P971232>, <P971490>, <P971491>

RESEARCH PROJECTS

A Study of Futures Price Variability

- ✍ BAK Young Zick
- ☐ 1 October 1996
- ❖ CUHK Research Committee Funding

Recently world well-known companies lost millions of dollars from derivative trading. The losses lead the firms to near bankruptcy or financial difficulties. For instances there are Bearing case and Daimaru-Sumimoto case. These happenings drew public attentions and many look suspiciously at the economic functions of the speculative markets. Unfortunately economists do not have theoretical model for pure speculative trading yet. Before the researcher builds a model of pure speculators, it is necessary to know the key characteristics of speculative transactions. This is one of the reasons why many researchers have made efforts to describe behavior of futures prices. The study of price-volume relationship is one of these efforts, and many financial economists have proposed interesting theories and tested many hypotheses regarding this relationship. One adage, very often quoted by past analysts from the Wall Street, summarizes well these past studies on price-volume relation. "It takes volume to make prices move." In this research, however, he will prove that "it is not the volume that makes prices move in futures market". He found that previous researchers have made misspecification error in testing price-volume relationship. With this new development he will try to build a new theoretical model of pure speculative trading in futures market. (BS96013)

Price and Volatility Effects of Options Listing in Hong Kong and Japan

- ✍ CHEUNG Wai Wah Daniel
- ☐ 1 October 1996
- ❖ CUHK Research Committee Funding

The increasing importance of Asian financial markets in the global economy motives research and studies in those markets. The present study focus on the effects of prices and volatility of options listing to the underlying stocks in Hong Kong and Japan. In addition, the effect of trading in options on the micro-structure of the markets for the underlying securities and options will also be examined for these two markets. Although the studies on the relationship between stock options and the underlying securities have been well documented in the finance literature for the U.S. markets, it is interesting to know whether the outcomes of the study in Hong Kong and Japan

are similar to those findings in the U.S. Data on options listing and trading in Hong Kong and Japan are obtained from database and financial newspapers in order to examine the effects of price and volatility to the underlying securities by employing event studies and non-parametric tests. (BS96014)

Equitization, Listing and Implications in Socialist Market Economies

- ✍ CHIANG Chiu Ping, Raymond
- ☐ 1 July 1996
- ❖ CUHK Mainline Research Scheme

Changes in the capital markets resulted from the transition of a socialist economic system into a socialist market system carry earthshaking implications. The impacts on flow of funds, capital sourcing, capital budgeting decisions, and the resolution of the entire set of agency problems in corporate finance (such as, equity holders, liability holders, suppliers, distributors/product users, management and employees) are profound. As the gateway and bridge of China, Hong Kong needs to understand this process and the rationale behind the decisions.

With Vietnam planning for a securities exchange we have an unique opportunity to observe the issues without the distortion by historians. In this study, we shall focus on the equitization of enterprises and determination of listing requirements in Vietnam. Then by comparing Vietnam with China's early years and the present, we can gain a better understanding of the structure of China's financial markets, corporate governance, corporate structure and policy decision process, and also will provide references for other countries in this region.

Our study will focus on:

- (1) Document the current status corporate structure of companies in Vietnam and China's past and present.
- (2) Document the objectives and process of equitization in Vietnam.
- (3) Compare Vietnam's current status with China's early years and present to disentangle the differences due to economics.
- (4) Document the goals and objectives for listing in both countries.
- (5) Note the issues involved, solutions chosen and rationale.
- (6) Examine alternative solutions and their implications.
- (7) Analyze the economic implications both from macro and micro perspective. (BS96028)

Relationships among Spot and Derivatives Markets: Lessons and Implications from the Hang Seng Index

✍ CHIANG Chiu Ping, Raymond ● FONG Wai Ming

□ 1 July 1996

❖ Research Grants Council

The introduction of Hang Seng Index (HSI) options provides an unique opportunity to study the impact on an emerging capital market of adding a new derivative security to an asset market and related derivative market (HSI futures market). Furthermore, the quotes in the HSI options and futures markets are distinctly different from the United States counterparts in that they are not trade commitments. So the market makers have little incentive to ensure that the quotes represent up-to-date market conditions accurately. This provides another unique opportunity to examine the informativeness of such quotes and the relationship of the informativeness to liquidity.

This project will study three related questions:

(1) The informational efficiency of HSI option prices (i.e. how well prices reflect information) during the evolution of the option market in relation to the spot and futures counterparts.

(2) The information content of the HSI options quotes, the relationship of the information content to liquidity and arbitrage.

(3) The effects of derivative trading on the spot market and related derivative market, especially on the volatility, trading volume, and the speed of price adjustment.

The finding will have important implications for the introduction of other forms of derivative trading (such as stock options) in Hong Kong or the introduction of derivative trading in other emerging financial centers.

(CU96412)

Fractional Cointegration and the Efficiency of Futures Markets

✍ CHOW Ying Foon

□ 1 October 1996

❖ CUHK Research Committee Funding

Many researchers have found that spot and forward/futures prices are not cointegrated in some commodity markets, or they are cointegrated but not with cointegrating vector (1,-1). One interpretation is that disturbances to excess returns have a unit root persistence, which implies that spot and forward/futures prices do not move together in the long-run. To provide an alternative explanation for this finding, this study proposes a fractional integration process for the basis similar to that of Baillie and Bollerslev (1993, 1994). Monte Carlo

experiments will be performed based on this model to investigate if the tests for cointegration and estimates of the cointegrating vector are subject to bias when the basis has a long memory.

(BS96015)

Performance of Trading Clearing Systems: An Empirical Test

✍ LANG Hsien Ping Larry

□ 1 August 1996

❖ Research Grants Council

Organized stock exchanges around the world use different trading methods, either continuous or call, to execute buy/sell orders in stock markets. Under the continuous method, buy/sell orders are executed immediately when orders arrive. In contrast, under the call method, orders are accumulated first, and then executed in a given time horizon, say every two minutes. The distinction between these two methods and their impact on the stock market performance has been documented recently as statistically and economically important. However, previous studies analyzed stock markets which adopt call and continuous systems on the same day, hence the performance of these two systems can be compared. For example, the New York Stock Exchange adopts a call system during the market open, while a continuous system is adopted during the rest of day. Conclusion can be drawn by comparing the performance of these two systems on the same day.

The major criticism arises in that the shift from one market to another on the same day may force traders to select their preferred trading method and cluster around a specific point in time. As a result, the morning market may largely include homogeneous traders with low demand of immediacy since the delayed transaction in call markets will improve their chance of finding a counterparty for a good price; the clustering of homogeneous traders may distort empirical results. To correct the major criticism, we plan to analyze the Taiwan Stock Exchange for its unique feature in changes of trading frequencies in a short period of time and for its availability of proprietary trading data. In Taiwan, the call market has transformed to a more continuous market in 1993. More specifically, the call market with 2 minute transaction frequencies was changed to 90 seconds during the period of September 13 and November 1, 1993, and from 90 seconds to 1 or 2 transactions per 90 seconds since November 2, 1993. The data of buy/sell orders by trading parties immediately before and after the changes of trading frequencies will be collected and their trading patterns will be analyzed. If funding permits, we may analyze the captioned topic using data in other countries.

(CU96407)

Exchange Rate Exposure, Stock Returns and the Pricing of Currency Risk in Japan

- ✉ LANG Hsien Ping Larry
□ 1 September 1996
❖ CUHK Research Committee Funding

It is a conveniently held view that exchange-rate movements should affect firms' expected cash flows, and hence stock returns, by causing changes in the home currency value of foreign currency denominated revenues (costs) and the terms of competition for multinationals and firms with international activities (importers and exporters). For instance, on May 3, 1991, the Wall Street Journal wrote: "Caterpillar sees gains in efficiency imperiled by the strength of dollar: Japanese rival (Komatsu Ltd.) wins an edge." More recently, the appreciation of the yen against the US dollar since 1985 has agitated many Japanese exporters. The growing emphasis on exchange risk management and the intensive use of foreign currency derivatives and other hedging instruments by corporations to protect firms' foreign currency denominated cash flows from unexpected exchange-rate movements, implies that firms' market value is sensitive to exchange-rate uncertainty.

Previous work on the exposure of firms to exchange-rate risk has primarily focused on US firms and found stock returns were not significantly affected by exchange-rate fluctuations. It is possible that US multinational firms, importers and exporters make extensive use of foreign exchange hedging instruments to cover their foreign-exchange exposure, it would be difficult to document any effect of exchange-rate movements on firms' value. It is also possible that the nonpricing of the exchange-rate factor is attributed to exposure measurement and methodological related drawbacks. While most efforts are devoted to studies on US firms, less is known about other markets and especially the Japanese market. This paper intends to use the new methodology to improve on previous studies, and explore a different market, Japanese market, which possesses unique features useful for us to understand this topic further.
(BS96016)

Interest Rate Swaps: Theory and Evidence

- ✉ LANG Hsien Ping Larry ● LITZENBERGER Robert H.*
□ 1 January 1997
❖ CUHK Mainline Research Scheme

Background Information: Since its inception in the 1980's, interest rate swaps have become very popular in the US, Europe and Asia. Several thousands of prominent investment houses including all leading

investment banks like Goldman Sachs, Long-Term Capital, Salomon Brothers, etc. have networked and entered into the world-wide swap markets recently and boosted up the trading volume significantly. The world-wide notional dollar volume of the interest rate swap market has reached some several trillion US dollars by 1996. Despite the current importance of interest rate swaps, there has been little theoretical work and empirical work done on the rationale for the existence of swaps. In this project, the researchers propose a pioneering work combining the theoretical work with the empirical tests to examine the issue as why firms engage in interest rate swap transactions. They will build a theoretic model using the Nash Bayesian Game Theoretic approach to provide the rationale for swap transactions. However, the swap data is not publicly available and needs to be collected from the trading records of major trading houses in the Wall Street. The co-investigator, Professor Robert Litzenberger, occupies the Edward Hopkinson Professor at the Wharton School and more importantly he is currently serving as the head consultant for swap trading group at Goldman Sachs Co. in the Wall Street. Professor Litzenberger is able to obtain the proprietary swap data at a reasonable cost from Goldman and its world-wide trading partners for the academic use.
(BS96029)

The Fundamentals and Pricing of the Hong Kong Residential Property Market

- ✉ WANG Ko
□ 1 September 1996
❖ CUHK Research Committee Funding

In the past several years both academic research and the popular press have noted dramatic price movements of the Hong Kong residential market. Given the key role of real estate in the Hong Kong economy, there seems to be a need for a more rigorous estimate of property price movements and a better understanding of the fundamentals of the Hong Kong property market. In this paper, the researcher proposes to: (1) establish or use a price index to examine whether the price movements in Hong Kong are based on economic fundamentals; and (2) develop a hedonic price model to identify the key factors determining the price of real estate in various submarkets.

The first step is to establish or to select a reliable index of property prices. This is important because, unlike the usual consumer price index, the underlying transactions are in a commodity which is far from homogenous and is traded infrequently. After this index is constructed or selected, he will relate property price movements to indicators of the fundamentals of the Hong Kong economy such as income, employment, mortgage interest rates, capital inflows, and the supply of land. The researcher will

also employ standard asset pricing models to see whether the return on property is fairly priced, and hence, whether housing investment in Hong Kong is consistent with rational investment decisions. He will develop a hedonic price model to identify the key factors in the pricing of Hong Kong properties, with a particular emphasis on the impact of externalities. Finally, the property market in Hong Kong will be compared with the property market in California, U.S. to detect if there are major differences between these two areas. (BS96018)

The Information Content of Insider Trading in the Hong Kong Equity Market

✉ ZHANG Hua

□ 1 November 1996

❖ CUHK Research Committee Funding

In this project, the researcher plans to investigate the information content of insider trading in the Hong Kong equity market. The project is interesting for the following reasons. First, Hirschey and Zaima (Journal of Finance, 1989) and Seyhun (Journal of Business, 1988) find that insider trading activity increases with ownership concentration and decreases with firm size in the U.S. Given the fact that many firms in Hong Kong are closely held and family controlled and the average firm size is much smaller, we would expect more widespread insider trading in the Hong Kong equity market. Second, the existing regulations on insider trading are quite different from those in the US. For example, illegal insider trading is a criminal offence in the US whereas it is a civil offence in Hong Kong. Three issues will be addressed in the project. First, at the micro level, the pattern and profitability of insider trading around major corporate events, such as takeover and major investment announcements will be documented. Second, at the macro level, the information content of aggregate insider trading activity will be examined. The issue of whether aggregate insider trading intensity can predict future market price movements will be investigated. Third, findings about the Hong Kong market will be compared with those about the US market. (BS96017)

Please refer to previous issues of *Research Projects Summary* for more details of the following ongoing research at the department:

<u>Edition</u>	<u>Title/Investigators</u>
1995-96	Empirical Testing of Multi-Good Consumption based Asset Pricing Models (BS95020)

	✉ CHENG Wui Wing Joseph ● CHANG Eric C.* ● MADAN Dilip B.*
1993-94	Long-run Equilibrium Relationships between Real Stock Returns and Real Activity in OECD Countries (AB92075) ✉ CHEUNG Wai Wah Daniel
1994-95	Hong Kong Stock Market Reaction to Political Announcements (SS94038) ✉ CHEUNG Wai Wah Daniel
1995-96	The Performance and Anomalies of Asian-Pacific Unit Trust Investments (BS95017) ✉ CHEUNG Wai Wah Daniel ● CHOI Hak (Decision Sciences & Managerial Economics)
1995-96	The Relationship of the Information Content of the HSI Futures and Options Quotes to Liquidity and Trading Strategies (BS95029) ✉ CHIANG Chiu Ping, Raymond ● FONG Wai Ming
1995-96	Corporate Finance in Hong Kong and China: Instruments, Incentives and Performance (CU95409) ✉ FAN Kin Keung, Dennis ● YOUNG Leslie
1995-96	Testing for Common Features of Global Industrial Structure (BS95015) ✉ LANG Hsien Ping Larry
1994-95	Recent Development and Trends in the Integration of European and Asian Stock Markets: Evidence from London and Hong Kong (SS94060) ✉ McGUINNESS Paul Brian
1994-95	Unification and Determination of the Exchange Rate of Renminbi (RMB) (SS94036) ✉ SHIH Elbert Yi Chung
1995-96	Economic Reform of the External Sector: Liberalization of the Exchange System in China (CU95411) ✉ SHIH Elbert Yi Chung ● CHOU Win Lin (Economics) ● YOUNG Leslie ● YU Eden Siu Hung (Decision Sciences & Managerial Economics)
1995-96	Is the Real Estate Stock Market Integrated with the General Stock Market? (BS95013)

- | | | | |
|---------|---|---------|--|
| | ✍ WANG Ko | | ✍ YOUNG Leslie ● CHENG Wui Wing Joseph |
| 1993-94 | Hong Kong as a Financial Gateway to China (AB93050)
✍ YOUNG Leslie | 1995-96 | Forward Premiums as Unbiased Predictors of Future Currency Depreciation: A Non-Parametric Study (BS95012)
✍ ZHANG Hua |
| 1995-96 | Sources and Consequences of International Equity Market Correlation (CU95408) | | |

RESEARCH OUTPUTS AND PUBLICATIONS

- <P961676> **Cheung, Daniel Wai-Wah and Choi Hak.** "The Performance and Risk of Hong Kong Mutual Funds". *ACME Transactions* pp.131-142. USA, 1996.08.01.
- <P971339> 史怡中、周文林. <中國的外匯市場和匯率>. 《中國證券市場透視》 楊瑞輝、莫文光編. 頁 185-201. 香港: 中文大學出版社, 1997.

see also <P963308>

RESEARCH PROJECTS

Supermarkets in China

- ✍ LAU Ho Fuk ● LO Wing Chun Thamis ● LIM Gong Shi*
- ☐ 1 January 1997
- ❖ CUHK Departmental Funding

The project has been completed. The outcome is a working paper titled: "Service Industry in China: Problems and Prospects of Supermarket Development". A brief summary of the working paper is as follows:

This paper first review briefly the supermarket as an industrialization of an ancient retail service and some of the issues involved in the cross-cultural transfer of service technology in general and in China. Then, the three stages of development of the service industry since the 1950's are presented and discussed. The emergence, stagnation and growth of supermarkets in China are being analyzed. Finally, the problems and issues related to supermarket development are deliberated and future prospects are explored.

It is concluded that there is still some way to go for China to develop fully its tertiary sector comparable with the West. The most important problems are a lack of expertise, capital and human resources caused by the fast expansion in this sector. Nonetheless, this has created a gap for international service firms to fill in. Particularly so is in the case of supermarkets, where the service technology is originated from the West. International firms can assume a greater and more important role in the transfer of technology. It can be expected that more and more foreign supermarket operators will open offices or branches in China (Hong Kong Trade Development Council 1996, p.33). (BS96033)

Job Satisfaction of Employees in Not-For-Profit Organizations - the Case of Church Ministers

- ✍ YOUNG Yee Hoi Kitty ● LO Lung Kwong (Religion)
- ☐ 1 September 1996

❖ CUHK Research Committee Funding

The particular industry of church ministers is examined. It is found that the working environments of the ministers are strikingly different from many organizations, even the other not-for-profit organizations. The job descriptions are vague, reporting channels are lacking, remuneration's are low, job scope can be wide. Given such attributes, the researchers would like to find out whether ministers are satisfied with their job and factors that would lead them to an even higher level of satisfaction. With this project, they hope to give recommendations on recruitment, retention and training of ministers. It is also their wish to extend the project to a wider scope in the future. They intend to study the job satisfaction of missionaries, of ministers in other areas in Asia and to do comparisons. This could be beneficial to the study of job satisfaction and could contribute to the education of administration skills of ministers. (SS96020)

Please refer to previous issues of *Research Projects Summary* for more details of the following ongoing research at the department:

Edition	Title/Investigators
1995-96	Social Networks of Japanese and U.S. Managers in Hong Kong as Reasons for Successful Adaptation and Performance (BS95030) ✍ AU Yuk Fai ● FUKUDA Kazuo
1995-96	International Chain of Production Cycles: The Experience of the Hong Kong Electronics Industry (BS95014) ✍ LAU Ho Fuk ● CHAN Chi Fai Andrew (Marketing) ● YOUNG Yee Hoi Kitty
1989-90	Currency Investors' Behaviour and Exchange Rate Forecasting (AB00137) ✍ MUN Kin Chok

RESEARCH OUTPUTS AND PUBLICATIONS

- <P953506> **Au, Kevin Y.** *Grievance Initiation in an Ethnically Diverse Organization*. Ph.D Thesis. 173 pgs. Canada: The University of British Columbia, 1995.12.

- <P962151> **Tse, David K.; Kevin Y. Au and Ian Vertinsky.** "European Ventures in China: Characteristics and Entry Strategies". *Creating & Managing International Joint Ventures* ed. by Arch G. Woodside and Robert E. Pitts. pp.141-158. London: Quorum Books, 1996.
- <P963071> **Qian, Gongming.** "The Effect of Multinationality Measures Upon the Risk-Return Performance of US Firms". *International Business Review* vol.5 no.3, pp.247-265. The Netherlands, 1996.
- <P963504> **Kevin, Au and Leung, Kwok.** "Type II Error in Cross-Cultural Research: Implications for Multi-level Inference". Paper presented in the 13th Congress of the International Association of Cross-Cultural Psychology. Montreal, Canada, 1996.08.
- <P963505> **Au, Kevin Y.; Kwok Leung and Merle E. Ace.** "Type II Error in International Management Research - A Monte Carlo Experiment". Paper presented in the Meeting of the Academy of Management. Cincinnati, 1996.08.
- <P971632> **Au, Kevin Y. and Frederick K. Ho.** "Testing Intra-Cultural Variation Across Cultures". *Proceedings of the 7th Meeting of the Eastern Academy of Management* p.110. Dublin, 1997.06.
- <P971798> **Stewart, Sally and Kitty Y. Young.** "Comparative Business Values and the Ownership of Enterprises: Some PRC Scenarios". Paper presented in the 14th Pan Pacific Conference. Malaysia, 1997.06.03.

see also <P963093>

RESEARCH PROJECTS

Different Approaches to Technology Assessment and their Effect on the Adoption of Technology

- ✍ AHLSTROM David ● GARUD Raghu* ● LOW Timothy*
- ☐ 1 November 1996
- ❖ CUHK Research Committee Funding

Technology is virtually indispensable today. Most people interact with it on a daily basis. Technology is also quite significant to the competitiveness of firms and nations. Proper choices about technological development are crucial to competitiveness. And such choices are even more important in contemporary environments characterized by rapid change. Technological choices are dependent on technology assessment processes. It is thus essential to understand technology assessment, how it impacts technological choices, and what can be done to improve the process. Researchers' assessment approaches are an important part of the process of technological selection and development. Yet these assessment approaches are not uniform, and the underlying processes poorly understood. Researchers use very different approaches in assessing technologies which in turn can lead to significant differences in what technologies will be pursued and what gets shelved. This proposition is developed by investigating and defining the different approaches that "insiders" and "outsiders" adopt in their assessment of biomedical technologies. The researchers also propose to explore how these contrasting approaches can lead certain technologies to be favored over others irrespective of their effectiveness relative to each other.
(BS96003)

The Neglect of Useful Technologies

- ✍ AHLSTROM David ● GARUD Raghu*
- ☐ 15 November 1996
- ❖ Lee Hysan Foundation Research Grant (under United College) CUHK

Today's environment emphasizes market competition. A new awareness of benefits and costs is being called for. Many well accepted approaches are no longer taken-for-granted simply because they seem to provide benefits that business and society cannot do without. Examples of such reexaminations include measures to optimize government, downsize firms, and reform medicine. Many fields take pride in the fact that they pursue the latest technologies. This preference for the new raises questions regarding how people select technologies to research and apply.

This question is difficult to answer when common cash-flow approaches are unavailable, especially in the case of very new technologies. Thus this research seeks to explore if best technological arrangements are being used. And from who's perspective is "best" being defined? More specifically, this research explores the question why might a useful technology be neglected, especially in a field where the best technologies are demanded. Using evidence from the medical field, the researchers consider the forces that might lead a useful technology - superior along some dimensions of merit - to be neglected and to fall into disuse. Common wisdom holds that economics are behind any such situations, but their investigations suggest otherwise.
(BS96035)

CEO Leadership Behaviour and Effectiveness in Hong Kong

- ✍ CHOW Hau Siu Irene ● HOUSE Robert
- ☐ 1 June 1996
- ❖ CUHK Mainline Research Scheme

The central argument of the neo-charismatic leadership paradigm advocated by Prof. House and his associates is that leader behaviours are generic to and effective for, the leadership of individuals, small groups, formal or informal organisations, and social and national organisations. Charismatic leadership is defined as a relationship between a leader and one or more followers based on shared ideological values which result in (1) internalised commitment to the vision of the leader; (2) exceptionally strong identification of followers with the leader, the vision, and the collective; and (3) follower self sacrifice and effort above and beyond the call of duty, willingly. The theory hypothesises that corporate performance is highly attributed to charismatic leadership. This research is associated in part with a multinational research project organised by Professor Robert House of the University of Pennsylvania, concerning CEO leadership behaviour and effectiveness. At present, scholars in several countries have agreed to participate. Research methodology and instrument developed by the research team will be modified to include our objectives of investigating other contributing factors to corporate performance. Approximately 40 firms in Hong Kong, about 50% entrepreneurial and 50% non-entrepreneurial, will be investigated. These firms will be drawn from a wide variety of industries - about 8 to 10 industries most active in Hong Kong. In each firm, data about organisational characteristics and performance will be collected and the CEO or founder will be interviewed and the interview will be recorded and interpreted. The CEO's two immediate subordinates will also be asked to respond to a questionnaire about their superior's leadership behaviour and effectiveness.

(BS96030)

The Impacts of E-Mail Adoption on the Effectiveness of Organizational Communication and Teamwork

- ✉ CHUA Bee Leng ● HUO Yangchung
□ 1 February 1997
❖ CUHK Research Committee Funding

This research project focuses on the impacts of e-mail adoption on important indicators of organizational effectiveness. The researchers plan to conduct an empirical study with three major courier service companies in Hong Kong, namely Federal Express, UPS, and DHL. In-depth interviews will be conducted with employees of the Hong Kong divisions of these three companies. Through these investigations, we can find out if the use of e-mail has helped improve employees' communication skills, increase their access to information crucial for performing their jobs, and boost their productivity accordingly.
(BS96026)

Organizational Culture as a Source of Competitive Advantage and Control: A Comparative Study of Hong Kong and Mainland China Firms

- ✉ LAU Chung Ming ● NGO Hang Yue ● WAN Chun Cheong
□ 1 November 1996
❖ CUHK Research Committee Funding

Organizational culture has been identified by many management scholars as sources of competitive advantage, as well as an important tool in implementing strategic changes. Some also argued that organizational culture can serve as a control mechanism through which the behavior and attitudes of organizational members can be regulated. Chinese firms (in both Hong Kong and China) are operating in an environment which emphasizes personal and family relationships. Social, cultural, and political factors have important effects on how organizational culture may be developed and utilized, even in their Hong Kong subsidiaries since they are practically managed by Mainland Chinese. As Hong Kong reverts to China, firms are quickly adapting to the Mainland China context. It is an unique opportunity to develop and test culture theories, and study the evolution of organizational cultures in such a critical period.
(BS96020)

Effective Attraction, Selection and Retention of Human Resources in China

- ✉ LAU Chung Ming ● TURBAN Daniel* ● CHOW Hau Siu Irene ● NGO Hang Yue ● SI Xiao Fu
□ 1 May 1997
❖ PDI Global Research Consortia Grant, USA

The proposed research project aims at identifying the key success factors of highly effective recruitment and retention strategies used by firms in Mainland China. The primary focus will be on the attraction and selection process of joint ventures with multinational firms and foreign-owned firms, with Chinese state-owned firms as a comparison. The outcomes of effective attraction and selection, which will include employee attitudes, performance and retention, as well as indicators of how well employees match the firm culture, will be evaluated.
(BS97002)

Human Resource Management in Sino-Western Joint Ventures

- ✉ LU Yuan
□ 1 November 1996
❖ CUHK Research Committee Funding

The research aims to explain why certain human resource management (HRM) practices are found in international joint ventures (IJVs) in China. It will focus on examining the IJV's relationships with parent organizations and external environments influence the HRM practices in aspects of recruitment, remuneration, performance appraisal, training and career development. It will also evaluate the extent to which different perspectives within organization theory may contribute to explain the HRM practices in IJVs by testing hypotheses based on respective organization-environment perspectives.
(BS96021)

Joint Ventures in China

- ✉ MAKINO Shigefumi ● LO Wing Chun Thamis (International Business) ● FUKUDA Kazuo (International Business)
□ 1 January 1996
❖ CUHK Departmental Funding

This project investigates the influences of inter-partner control, equity ownership, government regulations, local partner need & commitment on performance of the international joint ventures (IJVs) in China. Building on the conceptual framework developed by Beamish (1984), the researchers examine several hypotheses using a sample of over 2,000 IJVs formed by American and Japanese multinationals.
(BS96034)

Career in the Insurance Industry

- ✉ POON Wai Keung
- ☐ 1 April 1997
- ❖ CUHK Departmental Funding

It is generally agreed that the service industry will play an increasingly significant role in Hong Kong's economy. In comparison with other careers, insurance has received relatively less attention from those who are seeking employment after their tertiary education. To help to put things in perspective, the study in question will look at the prospect of working in the insurance industry and ways and means through which such objective can be achieved. (BS96036)

IJV'S Learning Success: An Empirical and Theoretical Study

- ✉ SI Xiao Fu
- ☐ 20 January 1996
- ❖ CUHK Research Committee Funding

One of the most crucial questions concerning Sino-American IJVs that has not been adequately addressed and which may significantly affect the Sino-American IJVs is these IJVs' learning success. In the current study, the researcher is going to explore this issue based on the Sino-American IJVs invested by the fortune 500 companies located in the Shanghai Pu Dong area, he argues that successful organizational (IJV) learning is particularly crucial for fitting these U.S. firms into its appropriate niche in the Shanghai Pu Dong's environment. (BS96022)

The Global Strategies of Hong Kong Firms: Development and Performance Implications

- ✉ WAN Chun Cheong
- ☐ 1 September 1996
- ❖ Research Grants Council

In concert with increasing attention to global competition, global strategy has emerged as a significant areas of study in strategic management. Most studies carried out in the West suggest that globalization has a positive impact on firm performance. However, it is doubted that firms in other countries, especially those with high economic growth like Hong Kong, might not be benefited from globalization as the firms in Western countries with lower economic growth. This study is proposed to use all firms listed on the Hong Kong Stock Exchange during the period from 1985 through 1994 to explore the development of the global strategies of Hong Kong firms and its implications to performance.

(CU96415)

CEO Leadership Behaviour and Effectiveness in Taiwan

- ✉ YEH Ryh Song ● HOUSE Robert
- ☐ 1 June 1996
- ❖ CUHK Mainline Research Scheme

The central argument of the neo-charismatic leadership paradigm advocated by Prof. House and his associates is that leader behaviours are generic to and effective for, the leadership of individuals, small groups, formal or informal organisations, and social and national organisations. Charismatic leadership is defined as a relationship between a leader and one or more followers based on shared ideological values which result in (1) internalised commitment to the vision of the leader; (2) exceptionally strong identification of followers with the leader, the vision, and the collective; and (3) follower self sacrifice and effort above and beyond the call of duty, willingly. The theory hypothesises that corporate performance is highly attributed to charismatic leadership. This research proposes to confirm this hypothesis and further investigate other contributing factors to corporate performance. This research is associated in part with a multinational research project organised by Professor Robert House of the University of Pennsylvania, concerning CEO leadership behaviour and effectiveness. At present, scholars in several countries have agreed to participate. Research methodology and instrument developed by the research team will be modified to include their objectives of investigating other contributing factors to corporate performance. Approximately 40 firms in Taiwan, about 50% entrepreneurial and 50% non-entrepreneurial, will be investigated. These firms will be drawn from a wide variety of industries - about 8 to 10 industries most active in Taiwan. In each firm, data about organisational characteristics and performance will be collected and the CEO for founder will be interviewed and the interview will be recorded and interpreted. The CEO's two immediate subordinates will also be interviewed and asked to respond to a questionnaire about their superior's leadership behaviour and effectiveness. (BS96031)

Please refer to previous issues of *Research Projects Summary* for more details of the following ongoing research at the department:

<u>Edition</u>	<u>Title/Investigators</u>
1994-95	How Goals Affect Performance: Task Complexity as a Moderator on the Cognitive Processes of Goal Setting (SS94044) ✉ CHEUNG Wai Hung

- 1994-95 Foreign R & D Operations in Hong Kong: Issues, Problems, and Research Prospects. (BS94001)
✍ CHEUNG Wai Hung ● CHENG Joseph L. C.*
- 1995-96 Human Resource Policies of Multinational Corporations in Hong Kong (BS95031)
✍ CHEUNG Wai Hung ● MURRMANN Kent
- 1995-96 The Management of Chinese Organizations (BS95019)
✍ LAU Chung Ming ● NGO Hang Yue ● CHOW Hau Siu Irene ●
- WONG Chi Sum ● MAKINO Shigefumi ● FUNG Ka Yiu Michael (Decision Sciences & Managerial Economics)
- 1993-94 The Impact of Management Education on the Modernization of China in the 1990s (AB93034)
✍ LUI So Yee Lai Alice
- 1994-95 Further Development of the Task-Level Model of Motivational Job Design (SS94048)
✍ WONG Chi Sum

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- <P953240> **Posner, B.Z. and Westwood R.I.** "An International Perspective on the Impact of Shared Values". *International Journal of Value-Based Management* vol.4, pp.75-98. New York, 1995.
- <P953241> **Westwood, R.I.** "Review of *Cross-Cultural Management Communication* by Mead, R. - Chichester/New York: John Wiley and Sons, 1990". *Journal of Far Eastern Business* vol.2, p.98. London, 1995.
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- <P962306> **Lau, Chung-Ming and Ngo Hang Yue.** "One Country Many Cultures: Organizational Cultures of Firms of Different Country Origins". *International Business Review* vol.5 no.5, pp.469-486. Great Britain, 1996.
- <P962307> **Ngong Hang-Yue and Lau Chung-Ming.** "Labour and Employment". *The Other Hong Kong Report* ed. by Nyaw Mee-Kau and Li Si-Ming. pp.259-276. Hong Kong: The Chinese University Press, 1996.11.
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see also <IA97003>

RESEARCH PROJECTS

Multinational Accountancy Firms in China

- ✍ CHAN Chi Fai Andrew ● LEE Dominica Suk Yee (School of Accountancy) ● LO Wing Chun Thamis (International Business)
- ☐ 1 July 1994
- ❖ CUHK Departmental Funding

With the opening up and economic reform of the PRC, there is increasing demand for the professional services of accountancy firms in Hong Kong. In an attempt to facilitate better understanding of the accountancy professional services environment in the PRC and bring benefits to all parties, a research is conducted to assess the situation realistically and to identify ways to improve the existing accountancy business activities in the PRC.

The researchers selected a substantial number of accounting firms to complete a structure questionnaire. The questionnaire include questions relating to:

- (1) important reasons for the firms to engage in business activities in PRC;
- (2) the perceived importance of the PRC business activities to the firm in different time horizon;
- (3) the long term objectives of the firm in the PRC;
- (4) the importance of various services offered by the firm in the PRC;
- (5) the importance of various client of the firm in the PRC;
- (6) the perceived problems that the firm encounter in providing professional services in the PRC;
- (7) the competitive advantages of the firm in the PRC;
- (8) whether the overall business results of the firm measured up to the firm's expectations?

Meaningful conclusion and management implications will be drawn to guide policy makers, accounting firms, and clients in the future.

(BS94010)

Estimating the Consumer Perceptions on New Products with Experimental Choice Data

- ✍ LAU Kin Nam ● CHAN Chi Fai Andrew ● LEUNG Pui Lam William (Statistics) ● SIN Yat Ming Leo
- ☐ 1 November 1996
- ❖ CUHK Research Committee Funding

In launching a new/improved product, the basic challenge of a marketing manager is to segment the market, to position the product and to price the product properly. To achieve these objectives, the researchers need to quantify and estimate "consumer perceptions" for the new product. In this research, they propose a new method to infer consumer

perceptions on different brands using choice data. N panelists are invited to participate in a pricing experiment. The reported preferences will be used as inputs to estimate the perceived prices and the perceived qualities for the new product at the individual level. In addition, a segmentation algorithm will be developed to divide N panelists into m meaningful segments which are defined in terms of the perceived prices/qualities. The segmentation results will help managers to identify the key attributes of their target customers. (BS96023)

China Marketing Network (CMN) - An Electronic Gateway to China

- ✍ TANG Ying Chan ● SIN Yat Ming Leo ● LEE Kam Hon
- ☐ 1 July 1996
- ❖ APiB Financial Support Scheme

Since 1978, China has embarked on one of the most unprecedented economy in human history. Among all the changes in China, the most important one is the market oriented reform of the economy which is the third, now perhaps the second, largest in the world. The huge consumer market has attracted companies in Hong Kong and all over the world to promote their products/services in China. Still, its economy and markets remain poorly understood. The purpose of this project is to bring together, electronically, both academic researchers and business professionals world-wide to help better understand the unfolding dynamics of China markets. The Internet tools include E-mail, Discussion List, BBS (Bulletin Board Services), and World Wide Web will be used to facilitate the communication and exchange of ideas. The major objectives of this projects are as follows:

- (1) Generating important research ideas and topics on China Marketing for our faculty members through the information with the researchers and practitioners in the real world.
- (2) Continuing The Chinese University of Hong Kong's leading role in China Marketing research and business education in Hong Kong and world-wide.
- (3) Collecting, generating, providing, and exchanging relevant China Marketing information to business professionals through computer-mediated services. (BS96032)

Electronic Classroom (EC): A New Teaching Concept in the Information Era

- ✍ TANG Ying Chan ● LEE Fong Lok (Curriculum & Instruction)
- ☐ 1 October 1996
- ❖ CUHK Teaching Development Grant

The rapid advancement of information technology (IT) has already brought great impacts on different aspects of our daily life. Being a pioneer in utilizing the IT in the field of education, the universities of United States prove to the world that computer network can be used as both an effective and efficient educational tools supplemented to traditional classroom teaching environment. Major applications include E-mail, Bulletin Board, File Transfer Protocol (FTP), Internet and newsgroup. Students and teachers who have been using these applications generally responded that the key benefit they got was better interaction between them and the education they received become more effective. With other features, the utilization of IT can improve their learning environment satisfactorily. The effectiveness of tradition classroom environment has been receiving new challenges in the process of information technology revolution undergoing now. The purpose of this project is to utilize the power of IT on our business education, a field which grows more competitive day by day in Hong Kong. The researchers try to bring classroom beyond the walls as dedicated business educators. In this project, the researchers are determined to achieve the following objectives:

- (1) To enhance the quality of their faculty's business education.
 - (2) To maintain their leadership position in the territory's business education in the coming information technology era.
 - (3) To transfer their experience to other colleges who are interested in utilizing IT in their teaching.
 - (4) To explore the possible ways to enhance the interaction between faculty members and students, and between students themselves, under a circumstance that the number of students has been growing substantially in recent years.
- (ED96062)

The Evolution of the Channel Structure in China: The Transactional Cost Approach

✉ TANG Ying Chan

☐ 1 March 1997

❖ CUHK Research Committee Funding

The structure of channel distribution is extremely complex and multifaceted. It is often said that the only constant in channel distribution is change, which has been a dominated feature of marketing thought. But most Western literature is based on the system of industrialized market economy or perfect-competition market structure, and pays little attention to the exchange system in developing countries and in transitional economies. It is also prevalent in marketing to adopt the neoclassical economic paradigm that views market as an efficiency

mechanism for conducting exchange. Market failure is said to occur when the market such as China or other (under) developing country that does not possess these features. As a result, advantage of cost-free exchange which involves in monitoring and enforcement of other parties' behavior disappears (Williamson 1975). The purpose of this project is to review various schools of thought in evolution and structural change of channel distribution, and propose a conceptual framework based on Williamson's transactional cost analysis to describe channel evolution in China and how it will transfer from the planned economy to market-oriented system. (BS96025)

Please refer to previous issues of *Research Projects Summary* for more details of the following ongoing research at the department:

<u>Edition</u>	<u>Title/Investigators</u>
1995-96	Information and Waiting: A Marketing Perspective (BS95036) ✉ HUI King Man ● TSE David K.* ● RAGHUBIR Priya*
1994-95	An Experimental Investigation of Contextual Influences in Marketing Research (BS95005) ✉ HUNG Hing Kun Kineta ● HEELER Roger*
1993-94	Estimating the LINMAP Model within the Prospect Theory Framework (AB93029) ✉ LAU Kin Nam ● CHAN Chi Fai Andrew
1995-96	Cross-border Corruption: A Cross-cultural Comparison of the Ethical Positions of Business Executives from The People's Republic of China, Hong Kong, and the United States (CU94401) ✉ LEE Kam Hon
1989-90	Cultural Differences in Family Decision-Making (AB88037) ✉ YU Hung Hsua Julie ● KEOWN Charles F.* ● JACOBS Laurence W.*
1989-90	The Impact of Cultural Values on Consumer Behaviour and Acceptance of Specific Products (AB90045) ✉ YU Hung Hsua Julie

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- <P971912> **Inman, J. Jeffrey; James S. Dyer and Jianmin Jia.** "A Generalized Utility Model of Disappointment and Regret Effects on Post-Choice Valuation". *Marketing Science* vol.16 no.2, pp.97-111. Maryland, USA, 1997.06.

see also <P970520>

