



**Faculty of  
Business Administration**

## RESEARCH PROJECTS

### Firm Performance and the Timing of Annual Report Releases: The Case of China

- ✉ HAW In-mu
- ☐ 1 May 1999
- ❖ CUHK Research Committee Funding

This study will examine the relation between firm performance and the timing of annual report releases by listed Chinese firms. The researchers will investigate whether good news firms tend to release their annual reports earlier than bad news firms, and loss firms release their annual reports the latest. Furthermore, they will test if firms accelerate the release of good news and delay the disclosure of bad news. This study can thus provide investors valuable clues in anticipating bad news while information about future earnings is very limited in China's emerging market. If the results are positive, the researchers will then examine that accounting are useful to investors for firm valuation in China even they are released late. If so, the results are useful to investors in the investment decision making process. (BS98029)

### A Study of Job Choice Decision of Public Accounting Firms by Accounting Graduates: An Application of Analytic Hierarchy Process

- ✉ HO Shun Man Simon • CHAN Siu Yeung\*
- ☐ 1 January 1999
- ❖ CUHK Research Committee Funding

The purpose of this project is to investigate the most critical attributes of the Big Five accounting firms that accounting graduates in Hong Kong (HK) choose to work for when they make the final job choices. In addition, recognising the shortcomings of ignoring the limited human information process capacity of the subjects in the previous studies, this study makes use of the Analytic Hierarchy Process (AHP) model to provide the subjects with more systematic guidelines for identifying the relative importance of various job/firm attributes. Also, only those subjects who have actually received more than one job offers from the Big Five accounting firms will be invited to participate in the final part of this study in order to identify the important job/firm attributes on the basis of their actual job choice decisions. Therefore, the results of this study will be more reliable and valid than those of previous ones conducted in the US.

This project will contribute to understanding (1) the job choice decision process of accounting graduates, (2) the major job/firm characteristics that accounting graduates consider as important when they make their final job choices among the Big Five accounting firms, and (3) the cultural impact on the findings.

Since the Big Five accounting firms are operating in almost all major countries over the world, cross-cultural generalisability of research results of accounting graduates' perception on job choice will help policy makers of these firms develop a global policy to foster the quality of the accounting profession and their firms in particular. Thus, public accounting firms and the accounting profession as a whole will benefit from the results of this project. The results of this project will also help accounting academics to give more appropriate advice to their graduating students seeking for first accounting jobs, and to public accounting firms to recruit better accounting graduates.

(BS98022)

### Voluntary Financial Statement Disclosure of Local Listing and China Concept Companies in Hong Kong

- ✉ LAM Chee Keung
- ☐ 1 December 1998
- ❖ CUHK Research Committee Funding

This project studies the voluntary financial statement disclosure pattern of local listing and china concepts companies in Hong Kong. The existence of the China Concept firms (Red Chips and H shares) in Hong Kong provides a very unique setting for testing the various determinants of voluntary disclosure. For instance, there are remarkable differences in (1) information asymmetry, (2) technology level, (3) ownership structure and (4) management structure among firms in these categories. This study specifically considers the following research questions:

- (1) To what extent is the variability in voluntary disclosure explained by a number of firm-specific characteristics.
- (2) Whether the levels of disclosure are significantly different between China listings (Red Chips and H-shares) and local listings. If the differences are significant, can they be explained?
- (3) Whether the levels of disclosure are significantly different between Red Chips and H-shares?
- (4) Are there any systematic differences in the disclosure pattern of these companies?

(BS98003)

### Auditor Reputation and Independence

- ✉ LAM Chee Keung • ZHOU Yuqing (Finance)
- ☐ 1 June 1999
- ❖ CUHK Research Committee Funding

This project focuses on the studying of audit independence and audit quality. The researchers

extend their past studies by endogenizing the interaction among auditors and auditees in a repeated game framework. Though the repeated game framework has generated numerous insights in economics, its use in auditing is very rare. Their model will be used to analyze audit collusion and independence. With the establishment of the Independence Standards Board by the Securities Exchange Commission in 1997, and the merger of the large audit firms, audit independence has re-emerged to be an issue of grave concern. Their paper will provide interesting (and sometimes counterintuitive) insights on audit independence. Under their framework, for instance, low balling, advertising by auditors and opinion shopping, long regarded as unacceptable in auditing, are not necessarily conducive to audit collusion.  
(BS98030)

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**An Empirical Study of the Information Content in Earnings Classification of Listed Companies in Hong Kong**

- ✉ LUI Man Ching Gladie • LEW Yee Hong Albert
- ☐ 1 November 1998
- ❖ CUHK Research Committee Funding

This study investigates the information content of regular and irregular components of earnings. The information content is measured by the extent of security price change or, equivalently, by the magnitude of the abnormal market returns, around the time the market learns the current additional information. If the additional information carries no information content, there would be no belief revision, no resulting buy-and-sell decisions, and consequently, no price changes in association.

Even within the income statement, different components of net income may have different magnitude of information content. Under the all-inclusive concept of income reporting as currently practiced, it is considered necessary to distinguish between ordinary and extraordinary items, and to report separately prior year adjustments so that readers of financial statements can better determine the long-run earnings power of the enterprise.

The information content of regular and irregular components of earnings is potentially interesting from two perspectives. From the investors' perspective, it is useful to know how the Hong Kong capital market values the two components in the pricing of securities. Alternatively, the empirical evidence can be used to judge the level of success of the Hong Kong Society of Accountants in meeting the information needs of market participants in Hong Kong. As accountants gain a better understanding of investor response to financial statement information, their ability to provide useful information to investors will further increase.

(BS98004)

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**The Association Between Financial and Auditor Characteristics and Auditor Negligence in Audited Financial Statements: A Regional Empirical Study**

- ✉ MAJID Abdul • GUL Ferdinand Akthar Khan#  
• LOW Pek Yee\*
- ☐ 2 November 1998
- ❖ Research Grants Council

The objective of this study is to identify and evaluate both client and auditor characteristics that are associated with complaints (whether or not litigation actually results) regarding auditor negligence in Hong Kong, Malaysia, Thailand and Taiwan. Client characteristics examined are client's financial condition, asset structure, growth and management ownership of shares. Auditor characteristics examined are auditor quality (in term if Big 6 vs. Non-Big 6) and auditor independence (in terms of relative size of audit fees to total audit fees of all clients specific to the auditor). The results of the study could assist auditors and financial statement users assess appropriate risk levels presented by clients. A comparative analysis of the four countries in the region could also provide insights into whether regional and institutional differences are important in identifying these risk facets.

(CU98066)

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**Disclosure of Corporate Environmental Issues – A Hong Kong Study**

- ✉ NG Yick Man Andy
- ☐ 15 February 1999
- ❖ CUHK Research Committee Funding

The last twenty years has witnessed worldwide social demand on business corporations to account for their environmental activities and to disclose related social effects and impacts of such activities. This paper will report on some Hong Kong evidence regarding corporate environmental disclosures and individuals attitudes towards these issues. In particular, a survey will be conducted to review the extent of environmental disclosure currently made by some Hong Kong companies. In addition, individuals from different sectors of the society will be interviewed to obtain their opinions on these issues.

(BS98028)

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**Corporate Disclosure Policy and Price Anticipation of Earnings**

- ✉ QI Daqing • WU Yuwu Woody • ZHANG Hua (Finance)
- ☐ 15 September 1998
- ❖ Research Grants Council

This project examines the effects of corporate disclosure policy on price anticipation of earnings with a research design similar to Freeman (1987). Specifically, it investigate two interrelated questions: (1) whether stock prices anticipate future earnings information earlier for firms with more informative overall disclosures than for firms with less informative overall disclosures, and (2) whether the degree of such anticipation is an increasing function of disclosures through alternative media. Like previous studies in this area, this paper examines price anticipation of earnings over one-year-ahead forecast horizons. Unlike these prior studies, however, the focus of this paper is on whether such one-year-ahead anticipation is a function of overall and different forms of corporate disclosures, an issue that has not been directly addressed by previous empirical research in this area. Potential confounding effects of size and analyst following are controlled in the research design. The empirical results have potential implications for assessing the significance of company-provided disclosures as a source of firm-specific information about future earnings and provide insights on the relative importance of disclosures released through different media, i.e., annual report, quarterly report, and investor relations. (CU98067)

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#### **Value Relevance of Earnings in an Emerging Capital Market: The Case of A-shares in China**

- ✉ QI Daqing • HAW In-mu • WU Yuwu Woody
- ☐ 1 May 1999
- ❖ CUHK Research Committee Funding

This study will investigate the value relevance of earnings in the emerging capital market of China by examining the information content of accounting earnings measured under the People's Republic of China Accounting Standards (PRC-GAAP). Based on the A-shares of listed Chinese firms during 1994-97, the researchers will examine whether there exists a significant association between annual market-adjusted stock return and the change of earnings. They will also document whether there exists a significant price reaction to the annual earnings announcement in a three-day window centered around the announcement date. Overall, their empirical results will provide evidence on whether earnings reported in China are value-relevant to A-share investors. (BS98031)

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#### **A Study of the Concepts of Chinese Accounting Control and Their Applications in the Ching Dynasty**

- ✉ TONG WU Yew Jen Marian • CHAN Koon Hung • LEW Yee Hong Albert
- ☐ 1 May 1999

#### **❖ CUHK Research Committee Funding**

A number of available research studies on Chinese accounting have focused on bookkeeping and accounting developments at different stages, ranging from ancient dynastic to modern society. The first complete single-entry bookkeeping system dates back to the Zhou Dynasty (1100-771 BC). But the evolutionary process has been slow, especially when the length of Chinese history is taken into consideration. The slow pace can be explained partly by the existence of feudalism under which business activities did not flourish and partly by the distaste or contempt for commerce among traditional Chinese scholars. Since the founding of the Republic in 1912, the nation was again preoccupied by civil wars. Furthermore, the nation's adoption of the socialist economy from 1949 to 1979 precludes contribution to mainstream world accounting.

History cannot deny, however, the nation of China as a whole was in the search for internal accounting and management control. Sound systems of the accounting and management control did surface although documentation was fragmentary in classical novels such as the "The Dream of Red Mansions" (Hung Lou Meng).

This worldly acknowledged novel was published during the reign of Emperor Chien-lung (about 1736-95) of the Ching dynasty. The novel itself recounts the rise and fall of an eminent family with day-to-day management of family affairs involving several layers of masters and three to four hundred servants. While much research has been conducted on the novel, they relate mostly from the literary and political viewpoints. The objective of this study is to examine the novel from the perspective of management and accounting control so that inter-era comparisons of management concepts can be made. (BS98032)

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#### **Outside Monitoring and Earnings Management: The Case of Management Buyouts**

- ✉ WU Yuwu Woody • QI Daqing
- ☐ 1 October 1998
- ❖ CUHK Research Committee Funding

Earnings manipulation is a central question in financial accounting. There have been many interests in the literature recently. Many prior studies suggest that earning management is beneficial to a firm. However, there are concerns about the manipulation of earnings by managers for personal gains. Recent studies have found management manipulate earnings to portray a less favorable picture of the firm preceding a management buyout. In all the scenarios, managers benefit personally from manipulating earnings opportunistically. DeAngelo's (1986) argues that public shareholders and their financial advisers invest resources to examine firms' financial

statements for evidence of income-reducing accounting technique. Managers thus face the prospect of detailed scrutiny that could engender large personal wealth losses through allegations of fraud and federal securities law violations. This paper explicitly tests the hypothesis that outside monitoring deters the behavior of earnings manipulation for personal gains. To test the hypothesis, we will select a sample of companies that proposed a management buyout in 80s. Researchers will use the percentage of institutional holding and analyst following to proxy for the level of outside monitoring, as there has been evidence indicating that institutional investors and analysts play an active role in corporate governance. They will measure the magnitude of earnings manipulation with the industry-adjusted pre-MBO change in net income. (BS98005)

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### Implementation of International Accounting Standards and Chinese Financial Reporting

- ✉ YANG Chao Lai Lloyd • TANG Qingliang\*
- ☐ 1 September 1998
- ❖ Australian Accounting Foundation • CUHK Research Committee Funding • University of Sydney

Although accounting reform has taken place in China since 1980s, international investors still worry that Chinese accounting system may distort both the measures of performance and the financial positions. Since financial statement is a very important information source for the decision-making of international practices. Impact of the differences will be investigated. Firm-specific characteristics, i.e. size, industry, location of listing, will be tested to find out whether these characteristics will exacerbate or mitigated the accounting differences on the financial statements.

This project will contribute to a better understanding of financial reporting of Chinese companies for foreign investors who rely on financial reports to make decisions. The results van help focus investors' attention on specific accounting treatments which affect reported profits and financial positions. Policy-makers who try to improve Chinese accounting system can be benefited, especially in the narrowing of gap between Chinese and international practices. International Accounting Standards Committee can gain information as to how the international accounting standards are implemented in a developing country and how China is moving towards international accounting practices. Finally, company managers in the study will be able to know

how 'real' their operating performance and financial positions are, when when measured by the international accounting standards. (BS98001)

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**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>
1997-98	A Multiple Discriminant Analysis of Tax Audits in China on International Transfer Pricing (CU97415) ✉ CHAN Koon Hung • MO Phyllis* • CHOW Lynne*
1997-98	An Econometric Estimation of the China State Own Enterprise Reform (BS97025) ✉ CHAN Wing Yiu Paul • CHOI Hak (Decision Sciences and Managerial Eco)
1996-97	Differential Market Impacts on Voluntary Disclosure (BS96004) ✉ CHENG Shu Tong Peter
1996-97	Voluntary Disclosure by Hong Kong Listed Companies: A Cultural-Economic Analysis (BS96005) ✉ HO Shun Man Simon
1997-98	Tax Dispute Resolution in China (CU97423) ✉ JIANG Zhaodong
1996-97	The Determinants and Valuation Effects of Financial Disclosure and Related Choices by Listed Chinese Enterprises (CU96401) ✉ LEE Suk Yee Dominica • CHOW Chee Woo# • TANG Yun-wei* • WU Yuwu Woody • HAN Jerry C. Y.*
1997-98	The Effects of Nonlinear Returns-Earnings Relation on Empirical Research (BS97003) ✉ QI Daqing
1997-98	Value Relevance of Earnings in a Volatile Market Condition (BS97004) ✉ WU Yuwu Woody

## RESEARCH OUTPUTS AND PUBLICATIONS

- <P975076> **Majid, Abdul and John Pragasam.** "Interactions of Intolerance of Ambiguity and of Contingent Liability on Auditors' Avoidance of Litigation". *Psychological Reports* vol.81, pp.935-944. 1997.
- <P983516> **Jiang, Zhaodong.** "China's Tax Preferences to Foreign Investment: Policy, Culture and Modern Concepts". *Northwestern Journal of International Law & Business* vol.18 no.3, pp.549-654. Chicago, USA, 1998.
- <P984970> **Majid, Abdul.** "Exclusion Clauses and the Public Policy Provisions of the Malaysian Contracts Act 1950". *Public Interest Law* ed. by S. Sothi Rachagan and M.P. Jain. pp.123-152. Brussels: International Association for Consumer Law, 1998.
- <P984971> **Majid, Abdul and Kevin Ooi.** "Order 78 - Defamation Actions". *Malaysian Court Practice - High Court* vol.1, pp.5139-5177. Kuala Lumpur: Malaysian Law Journal Sdn Bhd, 1998.
- <P990795> **Low, Chee Keong.** "Hong Kong Company Law". *Company Law in East Asia* ed. by Roman Tomasic. pp.183-217. UK: Ashgate/Dartmouth, 1999.06.

## RESEARCH PROJECTS

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### A Study on Consumption, Rent, and Housing Price in Hong Kong

- ✉ CHEUNG Kwok Hung Francis
- 1 January 1999
- ❖ CUHK Research Committee Funding

Between 1984 and 1996, the aggregate private domestic residential price index in Hong Kong grew at an annual rate of 19.97%, while the rental index only grew by 11.45% a year. As a consequence of the faster growth in property values, the rental yield has declined continuously throughout this period and has reached as low as 3% for luxury apartments in the last year. Such low rental yield was worrisome. Nevertheless, when the previous proposal was submitted last year, it was not clear whether the long rising property market was driven by irrational exuberance or not. As property prices fell by over 50% from its peak in August 1997, it is now a general belief that the property market was driven by a speculative bubble. The dramatic swings of real estate prices beg an immediate question about the fundamental value of a property market. To what extent was the property market driven by a bubble? To answer this question, we believe that the answer hinges on understanding the interaction of consumption, rent and property price. The researchers propose to model jointly the consumption, housing and investment decisions of households and plan to test the implications of the model, and to ascertain whether property prices, rental values and consumption spending are consistent with rational, forward looking behavior. Their study will provide insight on the appropriate policy options to deal with the property market and at the same time will make a contribution to the existing literature on housing demand that ignores important macroeconomic factors.  
(BS98027)

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### Using Genetic Algorithm and Heuristics for Jobshop Scheduling with Sequence-Dependent Setup Times

- ✉ CHEUNG Wai Man
- 1 April 1999
- ❖ CUHK Research Committee Funding

Jobshop scheduling with sequence-dependent setup times is an important and practical problem. Most of the researches on this subject mainly focus on the single machine, parallel machine, and flowshop environments due to the hardness of general jobshop situation. A hybrid algorithm based on the integration of genetic algorithm and heuristics is proposed for general jobshop problem with sequence-

dependent setup  $Jm|S_{ik}|C_{max}$  in this proposal. An embedded simulator is employed to implement the heuristic rules, which greatly increases the flexibility of the algorithm. Under the integrated framework, the knowledge relevant to the problem inherited from the heuristic rules makes the genetic algorithm more efficient. On the other hand, the optimization procedure provided by genetic algorithm makes the heuristic more effective. Extensive numerical experiments will need to be performed to show that our hybrid algorithm is superior to those recently published, effective methods for the same problem.  
(BS98026)

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### Bargaining, Competition, and Investment Choice

- ✉ CHIU Yiu Wah • CHATTERJEE Kalyan\*
- 1 November 1998
- ❖ Research Grants Council

A key issue to the success of a firm (seller) is its investment decisions. A general investment, which can realize its potential benefits with a wide range of trading partners (buyers), yields a low value. A relationship-specific investment, which yields a greater value, can realize its potential benefits only with its targeted buyer. Its choosing hence is subject to the risk of a potential holdup problem by the targeted buyer. Because of this problem, the seller may choose a general investment, despite a lower joint welfare. We examine how sellers' investment decisions are affected by the market structure. We examine also how lateral and vertical integration may correct the inappropriate investment incentives. In particular, we want to clarify the difference, if any, between two types of vertical integration: sellers acquiring buyers' assets and buyers acquiring sellers' assets. The study is expected to enrich our understanding of the firm and the market, and help formulate better reform strategy for transitional economies.  
(CU98071)

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### Economic Growth and Growth Convergence in China

- ✉ CHOI Hak
- 1 January 1999
- ❖ CUHK Research Committee Funding

Recent studies disclose that China has increased income disparity, despite high income growth. The situation is getting worse, as China faces devaluation threat from South East Asian economies. This project aims at studying the growth convergence of China provinces after the open door policy, and to weigh the importance of income growth against equality. Panel data method will be applied to

estimate the provincial convergence as well as the periodic convergence.  
(BS98006)

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**The International Information Systems Strategy of the Foreign-based MNC Affiliates.**

- ✉ LAI Siu King Vincent
- ☐ 1 December 1998
- ❖ CUHK Research Committee Funding

With the increasing globalization of businesses, international information systems (IIS) strategy becomes significant as it impacts the ability of multinational corporations (MNCs) to integrate their affiliates' IS activities across geographic locations. In this study, researchers will investigate the IIS strategy adopted by MNCs with their affiliates in Hong Kong. In addition to studying their IIS development and implementation issues, they will propose an integrative research model to evaluate the determinants and effectiveness of these affiliates' IIS strategy. The study will consist of two stages. The first stage will be the validation of the IIS research model with data collected from 500 MNC affiliates operating in Hong Kong. The second stage will focus on the elicitation and ranking of major IIS issues confronting the affiliates. The research aims to assist MNCs in formulating effective IIS strategy, understand the IIS issues that must be focused on and resolved to become competitive on a global basis, and foster a better understanding between MNCs and their affiliates in IIS strategy design and implementation. Findings from this research will be especially useful to MNC affiliates in Hong Kong, which are confronted with dynamic business environments and rapidly changing information processing requirements.  
(BS98007)

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**Reputation Effect in Repeated Negotiations**

- ✉ LEE Ching Chyi • ZWICK Rami\*
- ☐ 1 October 1998
- ❖ Research Grants Council

"Building up the Reputation" is often mentioned by practitioner's books as one of the most important tactics in bargaining and negotiation. However, this tactic has rarely been justified by any theoretical or empirical models. Motivated by the practitioners' comments, this project is aimed to examine both theoretically and empirically the reputation effects in bargaining. The major objective of this project is to seek for theoretical foundation and empirical evidence to explain the reputation effects in repeated bargaining. Specifically, we are interested in knowing whether or not reputation will affect the bargaining outcome, and if yes, how? Since academic

work strictly in this area has been lacking, this project should enhance our understanding about this feature of bargaining. In addition, since the empirical data, which is to be generated from the experimental labs, will be used to compared with the theoretical work, this will also allow us to examine the appropriateness of some of the fundamental axioms used in modern economic theory, particularly, the perfect rationality and common knowledge assumptions.  
(CU98076)

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**Freezing the Master Production Schedule under Capacity Constraints**

- ✉ LEE Tien Sheng • ZHAO Xiande\*
- ☐ 1 December 1998
- ❖ CUHK Research Committee Funding

Material requirements planning (MRP) is prevailing in its applications for production planning and control. Yet the operations environment of MRP is complicated and full of opportunities for practitioners to improve, and for academicians to pursue. MRP remains a major theme in production and operations management research track.

Manufacturing resources Planning (MRP 11) systems are widely used in manufacturing planning, and control for multi-stage production-inventory systems. In a recent survey, it is found that a lot of Hong Kong based manufacturing companies also use MRP and MRP 11 systems for production planning and control. One of the key differences between the conventional Material Requirements Planning (MRP) and MRP 11 is that MRP 11 systems consider capacity constraint when developing production schedules. The capacity planning functions of the MRP 11 systems significantly improve the performance of the system by reducing or eliminating the problem of schedule infeasibility.

Schedule instability is another problem that impacts manufacturing planning and scheduling activities. Freezing the master production schedule (MPS) is one of the frequently used methods to reduce schedule instability. Sridharam et al. studied the impact of different parameters for freezing the MPS upon schedule instability and inventory costs of single-level MPS systems. Researchers have studied the impact of the MPS freezing parameters and the lot sizing rules on the performance of the multi-stage MRP systems under different demand conditions. However, none of these studies considered capacity constraints. Zhao et al. pointed out that capacity constraints may have significant impact on the conclusions from their studies.

This project is designed to study the impact of capacity constraints on the selection of parameters for freezing the MPS, the selection of lot-sizing rules and the overall system performance. The findings from this study will help Hong Kong based manufacturing companies using MRP 11 systems, select the proper



MPS freezing parameters, and the lot-sizing rules to improve system performance, under various degrees of demand uncertainty.  
(BS98017)

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**Optimal Machining Conditions with Costs of Quality and tool Maintenance**

- ✉ LEUNG Chi Kin Lawrence
- 1 November 1998
- ❖ CUHK Research Committee Funding

Although there is a voluminous literature on machine tool economics, the cost of machining quality has never been explicitly addressed. Researchers propose to develop a quality-machining economic model which includes considerations on the quality of the machining process, the stochastic nature of tool-life, and tool maintenance elements (replacement and regrinding considerations). The quality cost of tool-cutting is to be approached in two major aspects: deviation from target roughness, and deviation from target dimension. The cost of deviation is either the Taguchi type under continuous assumption or in terms of the cost to the entire workpiece under discrete assumption. The connection between quality cost and tool maintenance cost will be explicitly addressed. Specifically, researchers will use the turning operation, a common machining operation, to illustrate their concepts in the formulation. They will formulate quality cost, as well as machining cost, as a function of two sets of variables:

- (1) machining variables which define the cutting conditions; and
- (2) tool preventive maintenance variables (replacement and regrinding policy) which define the condition of the cutting tool.

The cost of tool failure will be incorporated as well. Real-life data will be used to validate the model. More importantly, sensitivity analysis will be performed to examine the existence of unique behavior which might become a basis for certain machining policies. Attempt will also be made to compare the results from proposed model with those from traditional models.  
(BS98008)

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**Bootstrapping Time Series Models with Integrated Processes**

- ✉ LI Hongyi • XIAO Zhijie\*
- 1 September 1998
- ❖ Research Grants Council

The purpose of this research project is to study the small sample performance and asymptotic properties of bootstrapped time series regression models with integrated processes. Tests of unit root and cointegration are all based on large sample theory and

there have been concerns over their size and power properties. Monte Carlo results in the literature indicate that these tests often have relatively low power given the typical sample sizes.

One of the approaches to solve these problems is the use of bootstrap method which is a resampling method that draws repeated observations from a given sample under investigation. In the proposed research project, we will develop bootstrap procedures for estimation and inference in regression models with integrated processes. Because of the size and power problems in current tests in nonstationary time series, this research project is important from both the theoretical and empirical perspectives.

We will set up statistics and econometrics models to provide rigorous proofs of our methodology. Then we will use Monte Carlo simulation with the help of high speed computers to evaluate the performance of our methods. Finally, the proposed methods will be applied to investigate (1) the global integration of Hong Kong financial market with other major financial markets in the world, and (2) the purchasing power parity between Hong Kong and other high income countries.

(CU98078)

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**Small Sample Test for the Null of Stationarity**

- ✉ LI Hongyi
- 1 April 1999
- ❖ CUHK Research Committee Funding

This project examines the small sample properties of unit root testing with the stationarity null hypothesis. The bootstrap approach is proposed to approximate the small sample distribution of the test statistics for the null of stationarity. There is a large literature on estimation and hypothesis testing in time series regressions with integrated processes because many observed time series display nonstationary characteristics. The majority of the unit root tests considering the null of a unit root, or the nonstationarity null. The small sample size and power properties of these tests are known to be unsatisfactory. Recently, several studies investigate the issue of testing the null of stationarity, which is more intuitive than the null of nonstationarity.

The researchers focus is to study the applicability of the bootstrap method in testing the null of cointegration in small samples. The proposed approach will also be applied to the Nelson-Plosser macroeconomic data set and other macroeconomic time series data for unit root testing. The project has important implications in the study of nonstationary time series models. The research can be further extended into an earmark grant project to examine various nonstationary time series models in tests for unit root and cointegration.

(BS98025)

**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>
1997-98	A Java-Based Architecture for Adaptive Information Systems Integration (CU97032) ✍ CHEUNG Wai Man • YEE Lester W.*
1997-98	A Theory of Product Design Strategies: From Total differentiation to Fashion Cycles (BS97005) ✍ CHIU Yiu Wah • YANG B. Rachel*
1996-97	An Investigation of the Property Market of Hong Kong (BS96011) ✍ CHOI Hak
1997-98	Firm Dynamics, and Job Creation: A Study of Small Business in the Chinese Economy (BS97006) ✍ FUNG Ka Yiu Michael • NGO Hang Yue (Management) • CHOW Kong Wing*
1997-98	Capacity Management and Operating Decisions in a Hospital Intensive Care Unit (BS97007) ✍ KIM Seung Chul • HOROWITZ Ira* • YOUNG Karl K.* • BUCKLEY Thomas A.*
1997-98	A Longitudinal Investigation of Using an Internet-Based GSS System to Support Networked Team Building and Team Work (BS97030) ✍ LAI Siu King Vincent • HUANG Wei#
1997-98	The Effectiveness of Quality Improvement Practices in Hong Kong Service Industry (BS97008) ✍ LEE Tien Sheng
1996-97	Risk Assessment & Risk Allocation of Infrastructure (BS96012) ✍ LEUNG Chi Kin Lawrence • HO Raymond P.* • HUI Yer V.*
1997-98	Income Distribution and Economic Growth in East Asian Countries (BS97009) ✍ LI Hongyi
1997-98	Stock Groupings and Risk and Return of Red Chips and H Shares (BS97010) ✍ MOK Man Kwong Henry • CHAU Sandy*
1997-98	An Examination of Risk Management Practices (CU97426) ✍ YU Siu Hung Eden • HE Jia (Finance) • LANG Hsien Ping Larry (Finance) • LIU Ming (Finance)

## RESEARCH OUTPUTS AND PUBLICATIONS

- <P982278> **Chiu, Y. Stephen.** "Politics, Structure of Protection, and Welfare". *Review of International Economics* vol.6 no.3, pp.472-487. Oxford, UK, 1998.08.
- <P983433> **Yu, Eden S.H. and Chi-Chur Chao.** "On Investment Measures and Trade". *The World Economy* vol.21 no.4, pp.549-561. Oxford, UK, 1998.06.
- <P983845> 段樵、伍鳳儀、黃熾森。〈香港的跨境生產與都會經濟區的形成〉。《中國工業經濟》第 7 期, 頁 52-58. 中國北京, 1998.
- <P984413> **Chyau, Tuan and Linda Fung-Yee Ng.** "The Post-Industrialization Economic Growth of Hong Kong in the Next Millennium: Perspectives from a Mega-City Formation". Paper presented in the International Conference on A Macroeconomic Core of Open Economy For Progressive Industrialization and Development. Bangkok, 1998.12.
- <P984414> **Ng, Linda Fung-Yee and Chyau Tuan.** "The Asian Financial Turmoil and its Impacts Upon the Hong Kong Economy: With Special Reference to the Service Exports". Paper presented in the

International Conference on Asian Crisis: A Global Perspective, organized by Deakin University. Australia, 1998.10.

- <P984660> **Mok, Henry M.K. and Sandy Siu-Man Chau.** "Risk Characteristics of Red Chips and H Shares". *ACME Transactions 1998 Proceedings of 1998 International Conference of Pacific Rim Management* pp.76-81. Vancouver, Canada, 1998.08.15.
- <P990381> **Chiu, Y. Stephen and B. Rachel Yang.** "The Outside Option, Threat Point, and Nash Bargaining Solution". *Economics Letters* vol.62, pp.181-188. Amsterdam, Holland, 1999.02.
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## RESEARCH PROJECTS

### **Business Conditions, Monetary Developments, and Expected Stock Returns and Volatility in Hong Kong During the Linked Exchange Rate Period**

- ✍ CHEUNG Wai Wah Daniel
- ☐ 1 December 1998
- ❖ CUHK Research Committee Funding

The proposed study is to examine the impact of business conditions on the expected stock returns and its volatility in Hong Kong stock market during the linked exchange period using advanced econometrics and time series techniques. Four local business proxies namely: the Hang Seng Index dividend yield, the unemployment rate, the Hong Kong inter-bank offer rate (HIBOR), and the lending rate for explaining the variation of expected stock returns across time. In addition, two US business conditions proxies namely: the US default spread and the US term spread are also used to examine their impact on the expected Stock returns in Hong Kong. Finally, the proposed study also take into consideration of the Asian financial and monetary crisis by employing event studies. The empirical results of the study will allow us to have a better understanding of the relationships among business conditions, monetary developments, recent Asian financial crisis, and expected stock returns in Hong Kong. (BS98009)

### **Long Swings with Memory and Stock Market Fluctuations**

- ✍ CHOW Ying Foon • LIU Ming
- ☐ 1 October 1998
- ❖ CUHK Research Committee Funding

Since the seminal papers of LeRoy and Porter and Shiller, it is now widely held that stock prices are too volatile to be optimal forecasts of future dividends discounted at a constant rate. While researchers are still seeking a convincing explanation for this anomaly, the possibility that it could be due only to the misspecification of the dividend process has been more or less dismissed. In this project, researchers will show that long swings with memory -- a property of the dividend process which has been neglected in the literature -- could cause the stock prices to move in a more volatile fashion than warranted by future dividend movements as if rational bubbles exist, which results in excess volatility. To empirically examine the long swing characteristics in the dividend series, they will use the newly proposed Efficient Method of Moments (EMM) procedure as in Gallant and Tauchen. They will then perform extensive simulation experiments to show that excess

volatility could be generated even in very large samples. Findings from this study will have important implications on the informational efficiency and the regulation of the stock markets in a developed country like the U.S., as well as an emerging market such as Hong Kong. (BS98016)

### **The Impact of Portfolio Disclosures on Institutional Trading Motives**

- ✍ HE Jia
- ☐ 1 February 1999
- ❖ CUHK Research Committee Funding

The recent growing institutional dominance of the equity markets in the United States has attracted considerable attentions of the media and many academics. Of particular interest is the information on portfolio holdings disclosed by institutions under Section 13(f) of the Securities Exchange Act of 1934. The overriding issue of fiduciary responsibilities, however, would suggest that some 13(f) institutional managers, such as private and public pension funds who are more constrained by the common-law prudent-man rule and prone to exercise greater discretionary prudence in their asset management, might have less of a need to window dress; their plan investments are supposedly continuously consistent with fiduciary responsibility provisions. Also, institutions such as pension fund, foundations, and universities typically have clienteles with longer-term investment horizons and therefore would adopt an investment philosophy that is consistent with the objectives of their clienteles whose assets are being invested. Such institutions, who are constrained by laws and regulations to act in the best interest of their clients, would be less concerned about their short-term performance and hence less inclined to engage in window dressing, which may prove costly in terms of transaction costs. Thus the goal of the researchers study is to investigate whether different types of institutions with varying degree of fiduciary responsibilities have discernible trading motives in response to portfolio disclosures. They specifically examine whether the different institutional managers' strategic responses to portfolio disclosures dates have an impact on the volume of trading in stocks and stock prices around the turn of each quarter. (BS98024)

### **Risk Management Policy and Ownership Structure**

- ✍ HE Jia
- ☐ 1 June 1999
- ❖ CUHK Research Committee Funding

In this project the researchers investigate the relationship between the risk management policy and ownership structure of the corporations. Risk management policies are getting increasing attentions recently partly is due to the Asian financial crisis and partly is due to the increasing complex environment of financial innovations. Despite the importance of the topic, there are not much academic studies about the risk management policy of corporations and the relationship between this policy and the ownership structure. In Asia, there are some very distinguished ownership structures which are very different from the ones popular in Europe and US. This setting provides a unique opportunity for the study. (BS98033)

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**Diversification, Direct Investments and Announcements: The International Evidence**

- ✉ LANG Hsien Ping Larry
- 15 July 1998
- ❖ Research Grants Council

Prior studies use aggregate segment data and relate the number of segments to the performance of firms. Prior studies can only conclude that bad performance is associated with multi-segment firms, but the causality issue cannot be resolved. It is not clear if diversification hurts firm's value or it may be just that when firms become more diversified, they appear to perform poorly before becoming more diversified. Prior studies provide little evidence to support the notion that diversifying investments directly hurt performance. This study collects sample firms in the US which undertake domestic and foreign investments in 1980 and 1990s. It is hypothesized that focus-increasing investments are associated with positive announcement effects, and performance (say profit margin) improvements for the subsequent years, whereas the diversifying investments are hypothesized to be associated with negative announcement effects, and performance deterioration for the subsequent years. Different from prior studies, the contribution of this study is that

- (1) we use disaggregate level of data, announcement of direct investments, other than the aggregate number of segments for each firm to analyze the announcement effects;
- (2) we provide an event study to analyze stock market reaction on the announcement of focus-increasing and diversified investments, which confirms the causality from diversification to stock price; and
- (3) the US investments in Asia will be one of the focus of this study, which adds an interesting contrast to the US domestic investments and foreign investments in other regions.

(CU98296)

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**ARM's Wrestling: An Investigation of Hong Kong Residential Mortgage Market**

- ✉ LIU Ming • HE Jia • CHOW Ying Foon
- 1 July 1998
- ❖ Research Grants Council

The variety of mortgage loans in Hong Kong has been mostly limited to the fully amortising adjustable rate mortgages (ARM). Among them, 40% are of the variable tenor (VRT) type and the other 60% are of the variable payment (VRP) type. For a VRT type ARM, the maturity of the mortgage loan changes to reflect any interest rate adjustment. For a VRP type ARM, instead the monthly installment changes. By choosing between these two types of ARM, the borrowers select their interest rate risk exposure in two totally different ways. Since any contract feature in mortgages should be interpreted as devices that achieve risk sharing subject to incentive compatibility constraints. The co-existence of these two types of ARM thus points to the possibility of a clientele effects and a corresponding self-selection problem. In this study, we will empirically verify the existence of the clientele effects and then identify the relevant heterogeneity of the different groups of borrowers with a Probit model. A theoretical model with asymmetric information will then be built up to explain the empirical findings. As the local financial industry starts to develop a secondary market on mortgage loans, instead of viewing the VRP and VRT loans as equivalent, a better understanding of the basic characteristics of the local mortgages would be helpful to the financial industry. The study is thus of great significance to Hong Kong. (CU98114)

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**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>
1996-97	Relationships among Spot and Derivatives Markets: Lessons and Implications from the Hang Seng Index (CU96412) ✉ CHIANG Chiu Ping Raymond • FONG Wai Ming
1997-98	Certificate Programme in Security Market Development for Vietnam (BS97001) ✉ CHIANG Chiu Ping Raymond
1997-98	Capital Market Structure and Development: Socialist Market Economies in Asia (BS97011) ✉ CHIANG Chiu Ping Raymond

- 1997-98 Long Swings with Memory and Predictability of Stock Returns (BS97021)  
 ✍ CHOW Ying Foon • LIU Ming
- 1995-96 Corporate Finance in Hong Kong and China: Instruments, Incentives and Performance (CU95409)  
 ✍ FAN Kin Keung Dennis • YOUNG Leslie
- 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 (Marketing) • LAU Kin Nam (Marketing) • LEUNG Kwong Sak (Computer Science and Engineering) • LEUNG Pui Lam William (Statistics) • LEUNG Yee (Geography)
- 1996-97 Performance Evaluation Without Asset Pricing Model (CS96010)  
 ✍ HE Jia
- 1996-97 Performance of Trading Clearing Systems: An Empirical Test (CU96407)
- 1997-98 Interest Rate Swaps: A Game Theoretic Approach, Evidence and Pricing (CU97403)  
 ✍ LANG Hsien Ping Larry
- 1996-97 An Empirical Analysis of Stochastic Volatility Model (CS96012)  
 ✍ LIU Ming
- 1995-96 Economic Reform of the External Sector: Liberalization of the Exchange System in China (CU95411)  
 ✍ SHIH Yi Chung Elbert • CHOU Win Lin (Economics) • YOUNG Leslie • YU Siu Hung Eden (Decision Sciences and Managerial Eco)
- 1997-98 An Empirical Investigation of the GARCH Option Pricing Model (CU97419)  
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- <P981989> **McGuinness, Paul B.** "Buy-Outs, Divestments & Director Share Dealings". *Capital* vol.129, pp.40 & 42-46. Hong Kong, 1998.08.
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## RESEARCH PROJECTS

### **A Critical Incident Analysis of Service Encounters in the Hotel Industry: A Customer Perspective**

✉ TSE Eliza Ching Yick • LEE Kam-hon

☐ 1 May 1999

❖ CUHK Research Committee Funding

The importance of repeat customers for profitability in all businesses has long been established. Management is concerned about the negative effects of customer switching on market share and profitability. Service successes/failures are a principal determinant of future patronage, or its absence. To enhance service success and reduce service failure from a customer's perception, it is necessary to conduct an assessment of best practices of hotel firms and service encounters from a customer's perspective. This proposal is designed to capture such practices and/or failures. The

assessment should help hoteliers to anticipate guest needs and wants and incorporate them into service delivery to create a new value perception in today's complex and dynamic business environment.

In this study, the critical incident technique (CIT) will be employed to identify hotel best practices and service failure incidents. The general application of the critical incident technique regarding strengths and weaknesses, and the specific use in the hotel industry will also be examined. For data gathering, the study will consist of personal interviews with a sample of Hong Kong hotel guests. The expected result will be groups and categories that emerge through the classification procedure, i.e. major groups of employee behaviors that could account for all satisfactory and dissatisfactory incidents. This will allow managers, servers, and researchers alike to view the service experience through customers' eye.

(BS98034)

## RESEARCH OUTPUTS AND PUBLICATIONS

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- <P984958> **Li, Lan; Jack Kivela and Eliza Ching-Yick Tse.** "The Importance and Competency of Hotel Management Skills: What Students and Managers in Hong Kong are Saying?". *Proceedings of The 4th Asia Pacific Tourism Association Conference*, pp.120-126. Tanyang, Korea, 1998.08.
- <P991221> **Olsen, Michael D.; Eliza Ching-Yick Tse and Joseph West.** *Strategic Management in the Hospitality Industry*. 2nd ed. USA: John Wiley & Sons, 1999.
- <P991783> **Jogaratnam, Giri; Eliza Ching-Yick Tse and Michael D. Olsen.** "Strategic Posture, Environmental Munificence, and Performance: An Empirical Study of Independent Restaurants". *Journal of Hospitality & Tourism Research* vol.23 no.2, pp.118-138. USA, 1999.05.
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## RESEARCH PROJECTS

### **Hierarchical Linear Modelling on Intra-cultural Variation**

- ✉ AU Yuk Fai Kevin
- ☐ 1 December 1998
- ❖ Lee Hysan Foundation Research Grant (under United College) CUHK

The purpose of this project is to continue the author's efforts (Au, 1997; Au, 1998; Au & Ho, 1997) on studying the properties of ICV. Such endeavor will lead to the formulation of cross-cultural management theory based on ICV. This theory will complement existing ones based on cultural means. As a consequence, a more comprehensive picture on business and other societal phenomena will be revealed. Practically, it could lead to better management systems and design of training tools. (BS98018)

### **Multimedia Individualism-Collectivism Culture Assimilator: Scientific Basis and Validity**

- ✉ AU Yuk Fai Kevin • LIM Kai\* • BHAWUK Dharm P. S.\*
- ☐ 1 January 1999
- ❖ CUHK Research Committee Funding

Research has shown that expatriates who are sent overseas without appropriate training have a high failure rate, and each failure incurs high costs to their employers. Culture assimilators were developed to reduce failure. Among them, Bhawuk's individualism and collectivism culture assimilator (ICA) was empirically shown to be superior. Its superiority is attributable to systematic collection of critical incidents that involve the interactions between individualistic and collectivist people. People who work through ICA will learn the theory of individualism and collectivism and, consequently, make sense of seemingly peculiar behaviors of people from other cultures. Building on previous research on ICA, this study will extend it in two ways. First researchers believe that despite the superiority of ICA, the tool has its limitations. These limitations stem from the fact that the tool uses text, a relatively lean medium. Text may not be the best medium to describe some rich situations, such as a crowded bus and backward living conditions, and subtle communication, such as gestures and emotional expressions. According to Lim, multimedia tools are better than text-based tools because the former provide rich language, complementary cues, and authentic context. They will therefore test whether multimedia ICA is better than text-based ICA, and, if so, whether Lim's three dimensions of multimedia presentation can be used to explain the differences.

This study will also extend previous work in a second way by testing the multimedia ICA developed with collectivistic subjects in Hong Kong. It is expected that if individualism-collectivism is a truly universal construct, the ICA should be as effective for individualists as for collectivists. (BS98014)

### **The Nature and Outcome of Psychological Contracts: A Longitudinal Study in a Chinese Context**

- ✉ HUI Chun • CHEN Zhen Xiong\* • ROUSSEAU Denise\*
- ☐ 1 September 1998
- ❖ Research Grants Council

Many are mystified by how Chinese manage effectively without relying on legal regulation and protection. To understand how Chinese manage, we propose that psychological contracts can be an extremely useful construct. Psychological contracts are individuals' beliefs or expectations regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party. One form of reciprocal exchange is that between an employer and an employee. Psychological contracts can replace legal contracts if the parties involved believe that they are bound by such contracts. We suggest that Chinese utilize psychological contracts more than legal contracts when managing. Thus, an examination of the nature and forms of psychological contracts between, for example, Chinese employers and employees, or North American employers and Chinese employees, may greatly enhance our understanding of how Chinese manage.

Rousseau, a co-investigator of this project, has pioneered the theoretical and empirical examination of psychological contracts in North America. Her work can serve as a foundation upon which the theory of psychological contracts can be developed in China. The proposed research is expected to clarify the nature of psychological contracts in China, and to identify its functions and outcomes in various organizational contexts in China. (CU98197)

### **Electronic Communication as Coordinating Mechanisms in Multinational Corporations**

- ✉ NEUPERT Kent Edward
- ☐ 1 July 1998
- ❖ Student Campus Work Scheme, United College, CUHK

Among the challenges facing multinational enterprises (MNEs) in implementing international business strategy is the coordination and control of



foreign operations. In most cases, these mechanisms are facilitated by communication between the headquarters and foreign office. However, recent changes in information technology (IT) have changed the ways in which MNE headquarters communicate with the foreign offices by allowing data, information and knowledge flow with the corporation. As a result, information technology has become an important asset in global competition. However, previous literature does not discuss how organization structure and culture must be changed to benefit from the changes in IT and the new relationship between headquarters and foreign offices.

This study examines the influence of three coordination processes, namely centralization, formalization, and information sharing norms, on the interunit communication and their relationship effectiveness. The study focuses on the electronic mail system (email) as the mode of interunit communication. It is expected that shared norms of information sharing, instead of structural dimensions (centralization and formalization), facilitate interunit communication and enhance the relationship effectiveness between subunits and headquarters. The theoretical and managerial implications will be discussed, based on the findings of the study. (BS98020)

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**ITB Resources Centre Homepage**

- ✉ NEUPERT Kent Edward
- ☐ 1 July 1998
- ❖ Student Campus Work Scheme, United College, CUHK

This project updates the internet homepage offered by the Department of International Business. The ITB Resources Centre homepage provides information related to various aspects of international business. Among the topics currently highlighted are: departmental course offerings and related internet homepages, journals and periodicals, companies, and organizations and associations. The purpose of this grant is to hire United College students to do HTML and Java programming to update the materials on the homepage. (BS98021)

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**Determinants to the Performance of Foreign Direct Investment in China (1979-96)**

- ✉ QIAN Gongming
- ☐ 1 March 1999
- ❖ CUHK Research Committee Funding

Due to rapid economic growth and huge market potential, China is one of the most attractive locations for inflows of foreign direct investment (FDI) and once became the largest host country of FDI in 1993.

This implies that the opportunities to achieve a better performance in China are really great. However, very little studies have dealt with how foreign firms in China have performed in terms of profitability and risk. Because there are huge differences between and within regions associated with industrial distribution (each of the main regions in China has different characteristics and conditions which influence the location choice of FDI), the main question is concerned with locations and industries in which FDI can produce a better financial performance. This study is, therefore, designed to shed light onto their performance based on regions and industries over different time periods. This will be done by exploring and analyzing several relevant important issues related to the performance of FDI in China. The results are expected to have significant policy implications for the Chinese government to make better use of FDI. The research will also fill in the gaps in the area of the performance of FDI in China. The findings of this research can be the basis of an earmark grant application to further study more general topics about the FDI in China. (BS98023)

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**On Frogs and Scorpions: Something Never Change**

- ✉ SO Wai Man Raymond • G Geoffrey Booth\*
- ☐ 1 May 1999
- ❖ CUHK Research Committee Funding

In this paper, the statistical properties of the gold/silver ratios in medieval ages and modern times are compared. An examination of the statistical properties gives a test of whether human behaviors are consistent with models of modern finance throughout different time periods. To policy makers, a study of financial history can provide valuable inputs in the decision making process, and this could shed light on the development of modern foreign exchange market. (BS98035)

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**Diversification and Corporate Performance in Asian Economies**

- ✉ WANG Yu Long Denis • AU Yuk Fai Kevin
- ☐ 1 May 1999
- ❖ CUHK Research Committee Funding

This project aims to shed light, from an organizational-and firm-level perspective, on how diversification can affect the long term performance of Asian firms. The researchers will first study and contrast the diversification strategies and pattern of U.S. and European firms with that of their Asian counterparts in Hong Kong, Taiwan and Thailand. They will delineate the motivations for corporate

diversification in these three Chinese emerging economies by conducting corporate interviews and analysing reported case studies. Secondly, they will research performance data over a longitudinal period of Asian firms and relate them to the identified strategies for diversification. They aimed to test and seek insights on two key issues: What is the relationship between ownership concentration and diversification? Since many Asian firms pursue a relationship-based business strategy, what is the implication of this type of strategy on corporate diversification over a longitudinal period? The upshot of the study is to develop theories pertaining to business strategies for Asian Chinese firms which operate in an underdeveloped institutional environment of Asia. (BS98036)

- 1997-98 Interlocking Directors, Social Networks & Corporate Performance (BS97036)  
 ✉ AU Yuk Fai Kevin • PENG Weigang Mike#
- 1989-90 Currency Investors' Behaviour and Exchange Rate Forecasting (AB00137)  
 ✉ MUN Kin Chok
- 1997-98 The Role of Communication Policies and Practices in Facilitating MNE Headquarters-Subsidiary Relationship Effectiveness (BS97032)  
 ✉ NEUPERT Kent Edward
- 1997-98 Behind Asian Firms' Success and Failure in the 1980s and 1990s: An Empirical Study of Interlocking Directorships in Thailand, Indonesia, and South Korea (BS97033)  
 ✉ WANG Yu Long Denis • PENG Weigang Mike#

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

Edition    Title/Investigators

## RESEARCH OUTPUTS AND PUBLICATIONS

- <P980718> **Fukuda, Kazuo John.** *Japan and China: The Meeting of Asia's Economic Giants*. 140 pgs. New York/London: International Business Press, 1998.07.
- <P982801> **Chung, Ivan Man-Kuen and Raymond W. So.** "Long Run Interdependence of Asian Stock Markets". *Journal of Global Business* vol.10, pp.45-51. USA, 1998.
- <P982802> **Peng, Mike W. and Anne Y. Ilinitch.** "Export Intermediary Firms: A Note on Export Development Research". *Journal of International Business Studies* vol.29 no.3, pp.609-620. USA, 1998.
- <P982831> **Glascok, John L.; Chiuling Lu and Raymond W. So.** "The Evaluation of Real Estate Returns Across High Volatility Periods". Paper presented in the 1st Conference of Chinese Real Estate Community, organized by the Chinese Society of Housing Studies; Federation of Chinese Real Estate Investment Association. 1998.08.
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- <P983054> 閔建蜀. <以《孫子兵法》的五事概念分析香港在世紀之交的競爭與合作形勢>. 《第四屆孫子兵法國際研討會 - 論文提要》頁 138-139. 北京, 1998.10.19.
- <P983097> **So, Raymond W.** "Dynamic Relationships Between Interest Rate and Exchange Value of the US Dollar". *Proceedings at the 7th Conference on the Theories and Practices of Security and Financial Markets* p.15. Kaohsiung, Taiwan: National Sun Yat-Sen University, 1998.12.12.
- <P983098> **So, Raymond W.** "Information Transmissions Among Different Industrial Sectors: Evidence from Equity Submarkets". *Proceedings of the 7th Conference on the Theories and Practices of*

*Security and Financial Markets* p.18. Kaohsiung, Taiwan: National Sun Yat-Sen University, 1998.12.12.

- <P983163> **Lai, Sun and Kevin Au.** "Hope Group: The Future of Private Enterprises in China". *Asian Case Research Journal* vol.2, pp.133-148. 1998.
- <P984333> **Qian, Gongming and Ji Li.** "Multinationality, Global Market Diversification, and Risk Performance for the Largest U.S. Firms". *Journal of International Management* vol.4 no.2, pp.149-170. USA, 1998.12.
- <P984338> **Qian, Gongming.** "Determinants of Profit Performance for the Largest U.S. Firms 1981-92". *Multinational Business Review* vol.VI no.2, pp.44-51. USA, 1998.
- <P984661> **Au, Kevin Y.** "Intra-Cultural Variation as Another Construct of International Management: A Study Based on Secondary Data of 42 Countries". Paper presented in the Academy of Management Meetings. USA, 1998.08.
- <P984662> **Thomas, David C. and Kevin Au.** "Impact of National Culture on the Behavioural Response to Exchange Variables". Paper presented in the Inaugural Conference of the Australia-New Zealand International Business Academy. Melbourne, Australia, 1998.11.
- <P984663> **Au, Kevin Y.; Andrew L. Ng and Frederick K. Ho.** "Using Newsgroups to Prepare Students for the Virtual Business Community: A Technological, Pedagogical, and Motivational Analysis". Paper presented in the Quality in Teaching & Learning Conference. Hong Kong, 1998.12.
- <P984834> **Hubbard, Abigail and Kent E. Neupert.** "The Future of IB Education: A Comparison of Traditional and Internet-based Instruction". Paper presented at the Academy of International Business Annual Meeting. Vienna, Austria, 1998.10.
- <P984836> **Pashtenko, Valentin and Kent Neupert.** "International Joint Ventures: An Inter-Disciplinary Approach to Understanding Differences in Perception". *Proceedings of the 1998 AIB Annual Meeting* p.13. Vienna, Austria: Academy of International Business, 1998.10.
- <P990481> **Lu, Chiuling and Raymond W. So.** "Price Discovery in the Taipei Residential Real Estate Market". *Abstracts of the 7th Conference on Pacific Basin Business, Economics and Finance* p.21. Taipei, Taiwan: National Taiwan University and Rutgers University (USA), 1999.05.28.
- <P992069> **Fukuda, John.** "Bushido: The Guiding Principle of New Japan". *Management and Cultural Values* ed. by Henry Kao, D. Sinha and Bernhard Wilpert. pp.73-85. California: Sage Publications, 1999.
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see also <P980721>, <P981988>, <P983268>, <P984833>

## RESEARCH PROJECTS

### Corporate Turnaround in Hong Kong

✉ AHLSTROM David Christopher • BRUTON Garry\*

☐ 1 December 1998

❖ CUHK Research Committee Funding

Turnaround, the reversal of firms' performance decline, has been a topic of increasing investigation in the West. However in Asia, business growth, rather than decline, is stressed. Recently, numerous economies in this region, have experienced significant slowing of their economies. It is anticipated that this will lead to increasing regional competition, and performance declines for many firms. Such performance declines are already occurring in Hong Kong. A sharp increase in the number of firms with financial difficulties has aroused the attention of local bankers to cooperate in turnaround.

This study aims to investigate how Hong Kong firms are responding to the economic downturn and are turning around their performances. It is unclear if models of turnaround developed in the West are applicable in Asia. Yet to date, little research has been conducted on turnaround in Asia. This study, therefore, will focus on the turnaround practices in Hong Kong to identify the successful practices, and what might predict successful turnaround. In addition, this study will compare the turnaround practices in Hong Kong with previous findings in the West and investigate the reasons for any differences. This study will contribute to the understanding of the turnaround of Hong Kong firms and serve as a foundational work for future research in comparative study on corporate turnaround. In addition, researchers hope to publish this work in the publications read by Hong Kong executives and financial people, both in English and Chinese, so as to contribute to the practice of corporate turnaround in this region.

(BS98013)

### The Globalization Strategies of Hong Kong Firms: Extent and Implications

✉ AHLSTROM David Christopher • NEUPERT Kent Edward (International Business) • BRUTON Garry\*

☐ 1 December 1998

❖ Lee Hysan Foundation Research Grant (under United College) CUHK

In concert with the increasing attention to global competition, global strategy has emerged as a significant area of study in strategic management. Most studies that have been carried out in Western

countries suggest that globalization has a positive impact on firm performance. However, it is likely that firms in other countries, especially those with historically high economic growth rates like Hong Kong, might also benefit from globalization as have firms in Western countries with lower economic growth rates.

In addition, earlier studies have suggested that Hong Kong firms have not been aggressive in globalizing. Although Hong Kong firms generally do business internationally, few seem to have a true global strategy, although there are some interesting exceptions. Moreover, contrary to previous findings in the West, one preliminary study carried out by the principal investigator of this proposal found that, in Hong Kong, internationalization does not seem to improve firm performance at all. However, this study used a range of industries and a limited number of variables from (largely) archival data sources. Moreover, that study did not address globalization strategies, only internationalization.<sup>2</sup> We believe that the addition of certain control variables and additional data drawn from interviews of thirty to forty firms as well as focusing on certain industrial sectors (manufacturing and real-estate development, for example) may isolate the effects of a true globalization strategy. In this case we expect that some Hong Kong firms "are" executing a true globalization strategy.

Generally, this study proposes to use a larger sample than past studies, focus on specific industrial sectors, add several key variables, and include some additional examples and data from other regional (Singapore, Taiwan and Guangdong) firms, to more deeply explore the extent and competitive implications of global strategies of Hong Kong firms. We believe the results of this study will not only contribute to the understanding of the relationship between global strategy and firm performance in Hong Kong, but also provide insights for Hong Kong managers who would like to move past simple internationalization to formulate global strategies.

(BS98019)

### Globalisation Strategies of Hong Kong Firms: Extent and Implications

✉ AHLSTROM David Christopher • NEUPERT Kent Edward (International Business) • BRUTON Garry\*

☐ 1 December 1998

❖ Lee Hysan Foundation Research Grant (under United College) CUHK

In concert with the increasing attention to global competition, global strategy has emerged as a significant area of study in strategic management. Most studies that have been carried out in Western countries suggest that globalization has a positive impact on firm performance. However, it is likely

that firms in other countries, especially those with historically high economic growth rates like Hong Kong, might also benefit from globalization as have firms in Western countries with lower economic growth rates.

In addition, earlier studies have showed that Hong Kong firms have not been aggressive in globalising. Although Hong Kong firms generally do business internationally, it is questionable if many of those firms have a true global strategy, although there are some be interesting exceptions. Moreover, contrary to previous findings in the West, one preliminary study carried out by the principal investigator of this proposal found that, in Hong Kong, internationalization does not seem to improve firm performance at all. However, this study used a range of industries and a limited number of variables from (largely) archival data sources. Moreover, that study did not address globalization strategies, only internationalization.<sup>1</sup> We believe that the addition of certain control variables and additional data drawn from interviews as well as focusing on certain industrial sectors (manufacturing and real estate development, for example) may isolate the effects of a true globalization strategy. In this case we expect that some Hong Kong firms “are” executing a benefiting from a true globalization strategy.

Generally, this study proposes to use a larger sample than past studies, focus on specific industrial sectors, and add several key variables, and add some additional examples and data from other regional (Singapore and Guangdong) firms, to more deeply explore the extent and competitive implications of global strategies of Hong Kong firms. We believe the results of this study will not only contribute to the understanding of the relationship between global strategy and firm performance in the Hong Kong context, but also provide insights for Hong Kong managers who would like to move past simple internationalization to formulate global strategies. (BS98040)

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**Career Enactment: Career Decisions, Actions, and Mobility Among Hong Kong’s Entrepreneurs, Managers and Professionals**

- ✉ CHUA Bee Leng • ARTHUR Michael B\*
- ☐ 1 December 1998
- ❖ CUHK Research Committee Funding

Employment mobility in Hong Kong has historically been greatly influenced by political and economic events in China, and until recently by economic events in Asia. "Objective" factors that influence career decisions include relatively free and simple immigration and employment laws. The individual's employment and career decisions are often responses to perceived threats and opportunities in the changing environment. These comprised the "subjective" factors that influence a person's career moves.

This study will focus on business owners, managers and professionals. The main aim is to see how individuals evaluate and mobilize their accumulated learning and relationships to move and advance in their careers. Other themes to be studied are, The choice of occupations, openness to new initiatives; the level of investment in formal education versus on-the-job experiences; the family context in which career decisions are made; the breadth of support systems and their usefulness in assisting adaptive career behavior; the level of acceptance of, or resistance to company career arrangements; and the challenge to integrate career and broader life activities.

The study will be based on case histories of 75 entrepreneurs, managers and professionals in the nine occupational groups of, business owners, accountancy, law, engineering, education, and information technology, hotel and hospitality services, administration (government and commercial business). (BS98012)

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**Comparison Between Chinese and U.S. Managerial Influence Tactics: A Qualitative Approach**

- ✉ FU Pingping • GARY Yuki\*
- ☐ 1 November 1998
- ❖ CUHK Research Committee Funding

Managers need to exercise influence in an appropriate way in order to sell their ideas, gain acceptance of their policies, and motivate others to implement their decisions (Yukl, 1998). The difficulties of exercising influence and establishing relationships are increased when dealing with people from different cultures because cultural values can profoundly affect the attitudes, behavior, and performance of individuals (Adler, 1983; Hofstede, 1983). The study by Fu and Yukl (1998) comparing managers in the U.S. and China shows that national cultural values clearly influence managers' preferences for different influence tactics. This study will analyze the interview data collected at the same time the quantitative data used in the Fu and Yukl (1998) paper were collected and examine whether the actual influence behaviors reported by over 40 middle and lower level managers from the two countries support the findings of the quantitative analyses and explore the insights of the values and how they affect preferences of influence tactics. (BS98011)

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**The Embeddedness of Strategic Management in a Transitional Economy: Diversification Strategies in Guangdong Large Industrial Groups**

✉ LU Yuan • YEH Ryh Song# • CHOW Hau Siu Irene • BRUTON Garry D.\* • HOSKISSON Robert E.\* • LAN Hailin\*

□ 1 October 1998

❖ Research Grants Council

This research is to examine diversification strategies and their relationship to organizational structure and firm performance in large industrial organizations in Guangdong Province, the People's Republic of China, during a period between 1994 to 1997 in which the government claimed to adopt a bolder reform program in southern China. The research examines how these organizations diversified under two pressures in terms of *institutional control* exerted by respective government agencies and *competitive forces* deriving from the market. Two research methods are deployed to conduct the investigation: (1) a survey of 70 largest industrial groups in Guangdong to measure levels and scopes of diversification activities, organizational structure and economic performance; (2) a case study of 20 to 25 groups selected from the above sample to gain an insight into change in strategic decision processes when managers chose diversification and how they copied with two often contradictory influences from government and markets. The research is expected to commence on October 1998 and accomplish in 24 months. The research outcome is believed to enhance strategic management theory through in-depth understanding of diversification strategies and firm performance in China's emerging market. (CU98092)

#### **Diversification and Strategic Management in Large Industrial Groups in Chong Qing, the People's Republic of China**

✉ LU Yuan

□ 1 June 1999

❖ CUHK Research Committee Funding

This project concerns the study of diversification and strategic management in large industrial organizations in Chong Qing, a municipality which is regarded as one of the most important industrial regions, with the largest population in the People's Republic of China. The research will focus upon the levels of diversification and its relations to the adoption of organizational structure. The research is expected to conduct a survey of over 20 sampled organizations, plus a detailed case study in 10 of them. (BS98037)

#### **Joint Venture Ownership Structure and Performance: Japanese Joint Ventures in China**

✉ MAKINO Shigefumi

□ 1 January 1999

❖ Research Grants Council

This study examines the relationship between ownership structure and performance of Japanese joint ventures (JVs) in China. While the strategic importance and increased popularity of JVs in China has been well recognized, there have been few studies that have investigated the impact of specific JV ownership on performance. In fact, previous studies have focused almost exclusively on JVs that are formed between a foreign and a local Chinese firm. They have virtually ignored (1) JVs formed by multiple (three or more) partner firms; (2) JVs formed between non-Chinese firms in China; and (3) JVs formed between a foreign (non-Chinese) firm and its subsidiaries. This under-researched relationship is examined using a JV ownership structure typology developed by Makino (1995). Four distinct JV ownership structures are identified based on both partner nationality and affiliation: Intrafirm JVs-those JVs formed between affiliated Japanese firms; Cross-national domestic JVs (DJVs) - those JVs formed between unaffiliated Japanese firms; Traditional international JVs (IJVs) formed between Japanese and local Chinese firms; and Trinational international JVs (IJVs) - those JVs formed between Japanese and third-country based firms. The empirical research is based on a sample of manufacturing and service equity JVs that involved one or more Japanese MNEs in China, collected from the Toyo Keizai database. In a second study, detailed interviews are conducted with JV managers to determine whether the findings are supported, as well as to explain why a particular JV ownership structure was chosen over the others. (CU98093)

#### **Cultural Influences on Women in Management: A Cross-Cultural Investigation**

✉ NGO Hang Yue

□ 1 May 1999

❖ CUHK Research Committee Funding

This cross-cultural research examines the role of national culture in affecting the proportion of managerial positions filled by women in different countries. The cultural values framework is adopted to guide the development of hypotheses. The researchers hypothesize that cultural values will have a significant impact upon women's representation in management, and they also expect an interaction effect of culture and economic development on women's share in managerial positions. To test their hypotheses, hierarchical regression model is used to analyze cross-cultural data collected from various sources. (BS98038)

**The Impact of Capital Markets on Compensation Incentives, Organizational Slack, and Firm Innovation**

- ✉ YOUNG Michael Norman • LUBATKIN Michael H\* • SCHULZE William S\*
- ☐ 1 May 1999
- ❖ CUHK Research Committee Funding

This project will build a theoretical model of the impact that capital market differences have on organizational slack and the innovative capacity of firms. Also examined will be the role of the board of directors in setting compensation packages that moderate the relationship between markets and the capacity for innovation. The model will be tested with a relatively new statistical procedure called comparative groups analysis using structural equation modeling (SEM).

The investigators of the project propose that there are differences in the governance relationships between firms that are traded on the New York Stock Exchange (NYSE) and the National Association of Securities Dealers Automatic Quotation System (NASDAQ) in the United States.

For example, there is anecdotal evidence that suggests that NASDAQ listed firms are more likely to be high technology or "growth firm," while NYSE listed firms are more likely to be in traditional industries or "value firms." Yet while there is speculation that this is the case, there is little empirical or theoretical evidence. This study proposed to fill this gap in the management literature. If the results are proved correct, there are important implications for the impact that stock exchange listing has on firm innovation in other settings, including situations where the capital markets are less developed such as the People's Republic of China. These implications will be explored. (BS98039)

**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>
1997-98	Partner Selection and Knowledge Transfer in Strategic Alliances: What are the Most Important Criteria and Success Factors? (BS97012) ✉ AHLSTROM David Christopher • HITT Michael A.* • DACIN M. Tina*

1997-98	Technology Assessment in Healthcare: An Empirical Investigation (BS97026) ✉ AHLSTROM David Christopher • GARUD Raghu*
1997-98	A Business Glossary for Modern Managers - With Chinese Translation (BS97023) ✉ CHENG Wai Lam Danny
1996-97	CEO Leadership Behaviour and Effectiveness in Hong Kong (BS96030) ✉ CHOW Hau Siu Irene • HOUSE Robert J.#
1997-98	The Study of Corporate Strategies of Chinese Enterprises under Reform (BS97013) ✉ CHOW Hau Siu Irene
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 and Managerial Eco)
1996-97	Organizational Culture as a Source of Competitive Advantage and Control: A Comparative Study of Hong Kong and Mainland China Firms (BS96020) ✉ LAU Chung Ming • NGO Hang Yue • WAN Chun Cheong#
1997-98	Mergers, Acquisitions, and Economic Performance in China: Institutional Changes and Firm Strategies (BS97014) ✉ LU Yuan • PENG Weigang Mike (International Business)#
1997-98	Business Performance of Stock-Listed Companies in China (BS97022) ✉ LU Yuan
1997-98	Ownership Structure and Performance of International Joint Ventures in Japan (BS97015) ✉ MAKINO Shigefumi

## RESEARCH OUTPUTS AND PUBLICATIONS

- <P980884> **Makino, Shige and Chung-Ming Lau.** "The Road to MNE of Firms from Newly Industrialized Economies". Paper presented in the Academy of Management Annual Conference. USA, 1998.08.10.
- <P980885> **Isobe, Takehiko; Shige Makino and David B. Montgomery.** "Cross-Border Knowledge Transfer and Performance: The Case of Japanese International Joint Ventures in China". Paper presented in the Academy of Management Annual Conference. USA, 1998.08.08.
- <P980900> **Makino, Shige.** "A Note on Asset-Seeking Foreign Direct Investment". Paper presented in the Academy of Management Annual Conference. San Diego, USA, 1998.08.11.
- <P980905> **Ngo, Hang-Yue and Chung-Ming Lau.** "Interferences Between Work and Family Among Male and Female Executives in Hong Kong". *Research & Practice in Human Resource Management* vol.6 no.1, pp.17-34. Singapore, 1998.07.
- <P980937> **Yiu, Daphne and Shige Makino.** "A Choice Between Joint Ventures and Wholly-Owned Subsidiaries: A Test of Transaction Cost Theory and Institutional Perspective". Paper presented in the Academy of Management Annual Conference. USA, 1998.08.12.
- <P981334> **Ngo, Hang-Yue; Daniel Turban; Chung-Ming Lau and Siu-Yun Lui.** "Human Resource Practices and Firm Performance of Multinational Corporations: Influences of Country Origin". *International Journal of Human Resource Management* vol.9 no.4, pp.632-652. UK, 1998.08.
- <P982208> **Lau, Chung Ming and Ngo Hang Yue.** "Organization Development and Firm Performance: A Comparison of Multinational and Local Firms". Paper presented in the Academy of Management 1998 Meeting. San Diego, USA, 1998.08.
- <P982210> **Cheung, Wai Hung and Rensvold Roger B.** "Analysis of Influential Cases in Structural Equations Model: A Methodological Note". Paper presented in the Academy of Management 1998 Meeting. USA, 1998.08.10.
- <P982211> **Cheung, Wai Hung Gordon.** "When are Performance Ratings from Different Constituencies Truly Comparable? A Review of Measurement Artifacts in Studies of Self-Appraisal Accuracy". Paper presented in the Academy of Management 1998 Meeting. pp.HR: D1-D9. San Diego, USA, 1998.08.
- <P982247> **Cheung, Gordon W. and Roger B. Rensvold.** "A Bootstrap Procedure for Testing the Statistical Significance of Goodness-of-Fit Indices in Structural Equation Models". Paper presented in the Academy of Management 1998 Meeting. San Diego, USA, 1998.08.10.
- <P982719> **Huo, Y. Paul and Bee-Leng Chua.** "Central Issues of Managing E-Mail Communication: A Dual-Core Contingency Model". *Association of Management and the International Association of Management (AOM/IAOM) Global Reach for the 21st Century, 16th Annual International Conference Proceedings* 1998.08.
- <P982733> **Makino, Shige and Paul W. Beamish.** "Local Ownership Restrictions, Entry Mode Choice, and FDI Performance: Japanese Overseas Subsidiaries in Asia". *Asia Pacific Journal of Management* vol.15 no.2, pp.119-136. Singapore, 1998.10.
- <P982907> **Ngo, Hang-Yue and Anita Wing-Ngar Tsang.** "Employment Practices and Organizational Commitment: Differential Effects for Men and Women?". *The International Journal of Organizational Analysis* vol.6 no.3, pp.251-266. USA, 1998.07.
- <P982944> **Rensvold, Roger B. and Gordon W. Cheung.** "Testing Measurement Models for Factorial Invariance: A Systematic Approach". *Educational and Psychological Measurement* vol.58 no.6, pp.1017-1034. CA, USA, 1998.12.



- <P983036> **Lau, Chung-Ming.** "Li Ka-Shing". *The IEBM Handbook of International Business* ed. by Rosalie L.Tung. pp.797-800. London, UK: International Thomson Business Press, 1998.11.
- <P983046> 劉忠明. 《企業變革》. 160 頁. 香港: 東獅企劃, 1998.11.
- <P983212> **Lu, Yuan; Ryh-Song Yeh; Hau-Siu Chow and Hailin Lan.** "Strategic Choice of Organizational Structure under Diversification Strategy: Research Findings in Guangdong Province, PRC". *Proceedings of the Inaugural Conference of the Asia Academy of Management 1998 - Does Asia Management Matter: Regional Relevance* The Chinese University of Hong Kong, 1998.12.
- <P983225> **Lui, Wing-Wa and Shige Makino.** "Strategy Group, Rivalry and Performance in Japanese Automobile Industry: An Application of Chen's (1996) Propositions". Paper presented in the Inaugural Conference of the Asia Academy of Management. Hong Kong, 1998.12.29.
- <P983226> **Shige, Makino and Takehiko Isobe.** "Cross-Border Knowledge Transfer and Performance: Implications for First-Mover Advantage and Technology Leadership in Emerging Economic Regions". *Proceedings of the Inaugural Conference of the Asia Academy of Management* pp.62-65. Hong Kong, 1998.12.29.
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- <P983261> **Shen, Wei and Chung-Ming Lau.** "The Strategic Role of Party Secretaries in Chinese State-Owned Enterprises During Economic Reform". *Proceedings the Inaugural Conference of the Asia Academy of Management* pp.77-81. Hong Kong, 1998.12.
- <P983284> 劉忠明、溫振昌. <企業變革的概念；策略性的變革；組織發展為企業變革的總藍圖；提高企業效能的管理方法>. 《企業策略》 冼日明、溫振昌、馮嘉耀編 頁 167-181. 香港: 京獅企劃, 1998.12.
- <P983446> **Makino, Shige and Paul W. Beamish.** "Performance and Survival of Joint Ventures with Non-Conventional Ownership Structures". *Journal of International Business Studies* vol.29 no.4, pp.797-818. USA, 1998.
- <P983851> **Law, Kenneth S.; Chi-Sum Wong and William H. Mobley.** "Toward a Taxonomy of Multidimensional Constructs". *Academy of Management Review* vol.23 no.4, pp.741-755. USA, 1998.10.
- <P983902> **Lau, Chung-Ming.** "Strategic Orientations of Chief Executives in State-Owned Enterprises in Transition". *Managing Strategically in an Interconnected World* ed. by Michael Hitt, Joan Riearti Costa and Robert Nixon. pp.101-117. West Sussex, UK: John Wiley & Sons, 1998.
- <P984799> **Ahlstrom, David and Raghu Garud.** "Technology Neglect: The Case of Chronic Kidney Disease". Paper presented in the Academy of Management Annual Meeting. 45 pgs. San Diego, USA, 1998.08.10.
- <P984833> **Kane, Jeffrey; Kent Neupert and David Ahlstrom.** "The Role of Human Resources Management In Staffing For Competitive Business Strategy". Paper presented in the Management of Human Resources Conference, Pacific Asian Management Institute. Honolulu, USA, 1998.11.
- <P990019> **Chow, Irene Hau Siu and Lane Kelley.** "Adaptive Strategies of the Large Hongs in an Era of Political Change". *China 2000* pp.217-234. Sage Publications, 1999.
- <P990021> **Lau, Chung-Ming; Hang-Yue Ngo and Clement Kong-Wing Chow.** "Private Businesses in China: Emerging Environment and Managerial Behavior". *China 2000: Emerging Business Issues* ed. by Lane Kelley and Yadong Luo. pp.25-47. USA: Sage Publications, 1999.

- <P990059> **Makino, Shige and Paul W. Beamish.** "Joint Ventures Japanese Style". *The Globe and Mail (Canadian National Newspaper)* p.C4. Canada, 1999.01.22.
- <P990316> **Cheung, Gordon W. and Roger B. Rensvold.** "Testing Factorial Invariance Across Groups: A Reconceptualization and Proposed New Method". *Journal of Management* vol.25 no.1, pp.1-27. 1999.
- <P990317> **Cheung, Gordon W.** "Multifaceted Conceptions of Self-Other Ratings Disagreement". *Personnel Psychology* vol.52, pp.1-36. USA, 1999.
- <P990461> **Law, Kenneth S. and Chi-Sum Wong.** "Multidimensional Constructs in Structural Equation Analysis: An Illustration Using the Job Perception and Job Satisfaction Constructs". *Journal of Management* vol.25 no.2, pp.143-160. USA, 1999.
- <P990462> **Wong, Chi-Sum and Kenneth S. Law.** "Managing Localization of Human Resources in the PRC: A Practical Model". *Journal of World Business* vol.34 no.1, pp.26-40. USA, 1999.
- <P990463> **Wong, Chi-Sum and Kenneth S. Law.** "Testing Reciprocal Relations by Nonrecursive Structural Equation Models Using Cross-Sectional Data". *Organizational Research Methods* vol.2 no.1, pp.69-87. USA, 1999.01.
- <P990464> **Wong, Chi-Sum and Hsiang-Lain Kung.** "An Exploratory Investigation on Commitment to Specific Constituencies in Taiwan". *Chinese Journal of Psychology* vol.40 no.1, pp.1-13. Taiwan, 1999.
- <P990733> **Peng, T.K.; Fu P.P.; Chow I.H.S. and Li J.** "They are All Chinese But They are Not All the Same: Preliminary Findings and Implications of the Globe Project in four Chinese Society". Paper presented in the 1999 International Conference on Comparative Management, organized by National Sun Yat-Sen University, 1999.05.24.
- <P991999> **Bruton, Garry D.; Maneksh Dattani; Michael Fung; Clement Chow and David Ahlstrom.** "Private Equity in China: Differences and Similarities With the Western Model". *The Journal of Private Equity* vol.2 no.2, pp.7-14. 1999.
- <P992000> **Bruton, Garry D. and David Ahlstrom.** "Turnaround in Southeast Asian Firms: Evidence from an Ethnic Chinese Community". Paper presented in the Seoul National University / Organization Science Conference. 27 pgs. Seoul, Korea, 1999.05.

see also <P983845>, <P983854>, <P984327>, <P984860>, <P990382>, <P991717>, <P991718>

## RESEARCH PROJECTS

### **The Effects of Symbolic Meanings in Advertising : A Cross-Cultural Investigation**

✉ HUNG Hing Kun Kineta • BATRA Rajeev\*

☐ 1 October 1998

❖ CUHK Research Committee Funding

This research investigates the process by which television advertisements build a brand's "image" and preference by associating the brand with "cultural meanings" desired by the target consumer for that product category. For the four specific ads tested in this research, the study will also test whether the specific "brand meanings" evoked by them differ in their effect on ad and brand attitudes for consumers in Hong Kong and the United States, because of hypothesized differences in the "fit" of such meanings in cultures varying on the "collectivism vs. Individualism" value orientation. To do this, the four test ads will vary in the degree to which they communicate brand meanings of being daring / pioneering, original / questioning, independent / strong, assertive / forceful, dutiful / responsible, masculine / feminine, and modern/traditional.

The research includes a pilot study for questionnaire scale development and refinement, as well as for pretesting the test ads. In the main study, 50 students in both Hong Kong and the U.S. will each see one of the four selected television ads (selected for the brand meanings they evoke). After ad exposure, they will provide data on ad and brand attitudes; cognitive, affective, and symbolic reactions to the ad; ratings of the ad's perceived content and executional elements; as well as "individual difference" data on value orientations and other relevant dimensions. Analysis will test

- (1) the dimensionality of ad-evoked brand meanings and the psychometric quality of the measures used;
- (2) the process by which these meanings impact ad and brand attitudes; and
- (3) the hypotheses about how the "fit" between the ad's message, and the subject's values, moderates the impact of ad-evoked brand meanings on ad and brand attitudes.

(BS98010)

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### **Empirical Studies of Risk-Value Theory and Its Applications**

✉ JIA Jianmin • DYER James S.\* • INGENE Charles Arthur#

☐ 1 July 1998

❖ Research Grants Council

The objective of this proposed research is to contribute to the development of a new risky choice

theory based on the intuitive idea of risk-value tradeoffs. This effort will focus on empirical aspects of the measure of perceived risk and risk-value theory that we have developed.

Intuitively, individuals may consider their choices over risky alternatives based on the idea of a tradeoff between perceived risk and expected return as often observed in practice. Our risk-value framework provides a new methodology that is totally compatible with this choice behavior. In particular, our approach unifies two streams of research: one in developing preference models and the other in modeling risk judgments. This synthesis makes our risk-value theory more descriptively powerful than other preference models and risk models that have been processed separately for many years.

In this proposed project, we will conduct empirical studies to explore the assumptions and predictions of the measure of perceived risk and of the risk-value models, and evaluate our models compared with others. These studies will be conducted using different decision problems under different controlled conditions. In order to make our experimental tasks more representative of real choice problems, we will use risky alternatives with a wide range of distributions of multiple outcomes. We consider using subjects from both universities and the business world in Hong Kong, mainland China, and the United States. Since our models are consistent with a large body of existing empirical evidence, we expect to receive positive support from our new designed experiments.

(CU98098)

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### **Retail Expenditure Patterns in China: A Theoretical and Empirical Analysis**

✉ TANG Ying Chan • INGENE Charles Arthur#

☐ 1 September 1998

❖ Research Grants Council

The global objective of this project is to develop a comprehensive understanding of retailing in China from both a theoretical and an empirical perspective. We will develop an *integrative theory of retailing* that explains

- (1) individual consumer decisions on choice of store at which to shop,
- (2) optimal retailer behavior in light of consumer decisions and competitive conditions,
- (3) the number of stores in each line of retail trade, and
- (4) the distribution of total consumer expenditures across various types of stores.

The theory will commence at the micro level of individual consumers and will progress logically to the organization of the retail system. The theory will bring to bear factors associated with consumer utility maximization and retailer profit maximization. The empirical component of the research will be based on

extensive primary and secondary data on consumer demographic, socioeconomic and psychographic characteristics; factors under the influence of retail managers; the extent of competition within and between lines of trade; the social infrastructure (e.g., transportation network, education, etc.); and the legal form of organization of retail stores. (CU98102)

✍ SIN Yat Ming Leo • TUNG HO Suk Ching S. • CHAN Chi Fai Andrew

1997-98 Relationship Marketing: Effects of Cultural Differences (BS97018)  
✍ SO Lai Man Stella

1996-97 Electronic Classroom (EC): A New Teaching Concept in the Information Era (ED96062)  
✍ TANG Ying Chan • LEE Fong Lok (Curriculum & Instruction)

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

Edition      Title/Investigators

1995-96 Information and Waiting: A Marketing Perspective (BS95036)  
✍ HUI King Man • TSE David K.\*

1997-98 Language and Its Effects on Advertising Modality: The Case of Chinese and English (BS97027)  
✍ HUNG Hing Kun Kineta • HEELER Roger\*

1997-98 An Experimental Study of the Properties of Perceived Risk (BS97016)  
✍ JIA Jianmin

1997-98 The Emerging Roles of Chinese Women: A Comparison of Women Role Orientations, Life Styles and Consumption Values among Women from the PRC, Hong Kong and Taiwan (BS97017)

1997-98 Marketing on the Information Superhighway: Is Hong Kong Ready for this New Paradigm? (BS97019)  
✍ TANG Ying Chan

1997-98 A Knowledge Discovery System that Mines Large Market Databases (BS97020)  
✍ TSE Ching-biu Alan

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

## RESEARCH OUTPUTS AND PUBLICATIONS

<P980721> **Chan, Chi-Fai and Yuen-Kwan Mak.** "Doing Business in China: Problems and Strategies". Paper presented in the 10th CESAA Annual Conference "Where is the Chinese Economy Heading?". Orange, Australia, 1998.07.13.

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