

CITY BUSINESS

Magazine



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Innovation Unbound

Innovation:

Can we learn from history?

Sustainability – What Chance?

China's air pollution:

Escaping the Prisoner's Dilemma

Innovation and the One-Trick Pony

AUTUMN 2015

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ONLINE EDITION

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ON THE COVER

Przewalski's Gazelle (*Procapra przewalskii*), Qinghai Lake, Qinghai, January 2009, by Xi Zhinong/WildChinaFilm

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From the Dean

There's nothing I enjoy more than getting out and taking photographs. And Hong Kong being a place of incredible contrasts, there are interesting subjects everywhere. Whether it is capturing bustling street markets of Mong Kok, or the verdant greenery of our sub-tropical forests, a day behind a camera lens guarantees rewarding results.



So imagine my excitement earlier this year when I learned that renowned Chinese wildlife photographer and environmentalist, Xi Zhinong, was back in town. I leapt at the opportunity to invite him over to talk to our CB community. And in his generosity, Xi went further and has kindly supplied us with our inspirational cover. So it is only fitting that in this edition of City Business Magazine we begin to look at the twin themes of sustainability and innovation.

In the remote upland area of Qinghai Lake, a gazelle leaps over a barbed wire fence. It prompts the question: Do we humans need to uproot our habit patterns, to make a metaphorical leap of the imagination, in order to innovate towards a sustainable future? In *Sustainability – What Chance?* we interview Xi Zhinong on his life behind the camera, his work building public awareness of conservation issues, and his thoughts on the role of applied research.

Taking a long view at the conditions that have encouraged innovation in the past, in *Innovation: Can we learn from history?* Peter Burke, Professor Emeritus at the University of Cambridge asks what kinds of people innovate and what kind of environment best supports them? In a wide ranging essay, Professor Burke deconstructs the conventional narrative of the heroic innovator, stressing the distinctive qualities of innovative societies, and the collective and often incremental nature of invention.

In March 2015 the issue of air pollution in China moved centre stage with the web release of the documentary *Under the Dome* by the journalist Chai Jing, which quickly went viral. In *China's air pollution: Escaping the Prisoner's Dilemma* Professor Jeff Hong takes a look at the hitherto unsuccessful experience in fighting global warming, the challenges facing China in combating its air pollution problems, and the role we can play in Hong Kong.

I do hope you enjoy this edition of our Magazine. As ever, we look forward to your feedback.

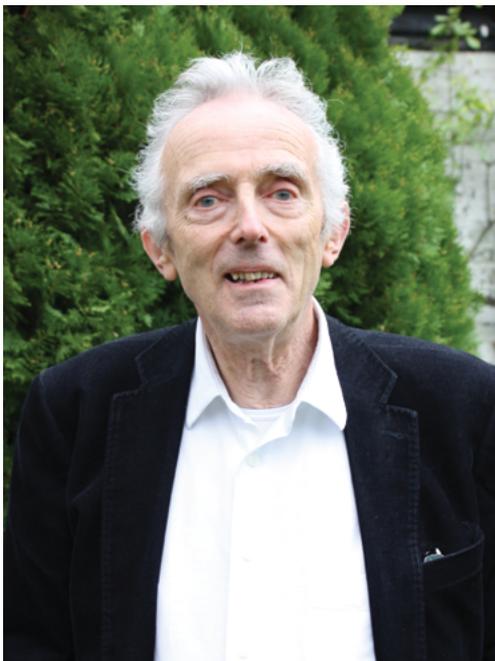
Houmin Yan

INNOVATION:

Can we learn from history?

By Professor Peter Burke

Professor Peter Burke is Emeritus Professor of Cultural History at Cambridge University. Professor Burke studied at Oxford, taught at the new university of Sussex in its early years (1962-79) and then migrated to Cambridge, where he was Professor of Cultural History until his retirement and where he remains a Fellow of Emmanuel College. His best-known books include *Culture and Society in Renaissance Italy* (1972), *Popular Culture in Early Modern Europe* (1978), *The Fabrication of Louis XIV* (1992) and *The Social History of Knowledge* (2 vols., 2000 and 2012). This article is an abridged version of the [City University Distinguished Lecture](#) given by Prof Burke in November 2014.



Innovation is not just a concern of the worlds of business and technology but of universities as well. The cover story of one edition of *The Economist* last year discussed the reinvention of the university under the heading *Creative Destruction*¹. The point was to comment on the rise of MOOCs (massive open online courses). You can see them from one point of view as a challenge to the traditional university, and on the other hand as a solution to the rising cost of more traditional education.

Going beyond universities, is the age of invention over? What kinds of people innovate? What kind of environment best supports them when they are putting forward their creative ideas? To answer questions like these there is a need for both international and interdisciplinary collaboration. Contributions to the theory of innovation have been made by economists such as



A modern day view of Florence. In the 16th century city, everywhere was within a 15 minute walk

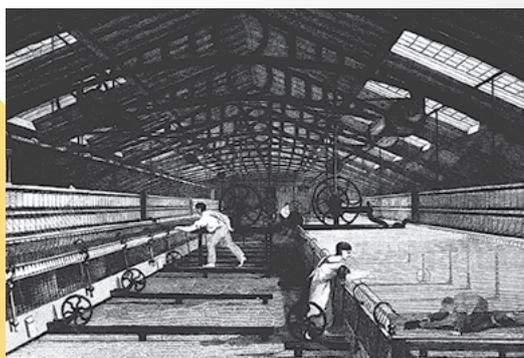
the Austrian Joseph Schumpeter who invented that phrase Creative Destruction, sociologists such as the Italian Vilfredo Pareto, geographers such as the Englishman Peter Hall who wrote about Creative Cities, psychologists such as Liam Hudson, philosophers of education such as Donald Schön, urban theorists such as Richard Florida, and management theorists such as Ikujiro Nonaka. Sometimes the specialists talk to one another, sometimes they don't. The British economist Chris Freeman, my ex-colleague at the University of Sussex, used to criticise his colleagues in economics

for neglecting innovation in technology and organization, so there does seem to be a need for an interdisciplinary overview.

Traditions of innovation?

I look at the process of innovation from an historian's point of view. Traditions of innovation, a seemingly contradictory concept, have been particularly impressive in the past. But we can learn from the past how to break with the past. A well known example from the early years of the British industrial revolution is the sequence of inventions or at least improvements that helped to make the production of cloth more efficient: the spinning jenny evolved into the spinning frame, and then in turn into the spinning mule, the last a hybrid of the other two.

Another example of sustained innovation is that of painters in Florence in the 15th and 16th centuries. There were no art schools as there



◀ The spinning mule hybrid hugely revolutionized the production of cloth
Photo courtesy of Welcome Trust, via Wikimedia Commons



Painting with a sculptural quality: *The Creation of Adam*, by Michelangelo, in the Sistine Chapel, Vatican City

are today. The way to learn was to become an apprentice to an established painter, helping him in his workshop, emulating him. It is possible to identify whole chains of masters and apprentices over the centuries, and yet there are a number of Florentine painters who managed to establish a distinctive style of their own, most obviously Botticelli, Leonardo da Vinci, and Michelangelo amongst many others.

A third example comes from a group of French historians in the 20th century called the Annales School, who founded a journal in 1929 to launch their innovative ideas². They are still active. Four generations of these French historians have now collectively produced some of the most innovative historical work in the world. So the obvious question is: How could they maintain this tradition? The success of the group in over 80 years is linked to a certain style of intellectual leadership, which allows the followers to go their own way within certain limits, and discourages them from simply reproducing the ideas of the

leaders. The fact that there were two leaders rather than one, Lucien Febvre and Marc Bloch, contributed to the flexibility of the movement. Indeed Febvre deserves a special mention for choosing a successor, Fernand Braudel, who disagreed with him on certain important questions, notably the place of free will in human history. An open style of leadership, then, produced strong disciples. These examples may help us confront the crucial question, what is innovation?

Like creativity – the propensity to innovate – innovation itself is difficult to define. If we take a closer look, innovation often turns out to be an adaptation of an earlier idea, technique, or organization. It may be a free or creative adaptation, but it is an adaptation all the same. Think of the printing press. Gutenberg came from the Rhineland, so he was extremely familiar with the wine press, which he adapted for printing books.

Innovation by collaboration

Turning to the history of ideas, Donald Schön suggests that new ideas come into existence by extending or displacing old ones. Charles Darwin's theory of evolution borrowed something from the population theorist Thomas Malthus, and something from the geologist Charles Lyall, and produced something new. Innovation is a kind of bricolage, a kind of collaboration between dead and the living. But of course innovation also emerges from collaboration in the present, especially in face to face groups. Hence the title of a 2003 book: *Group Creativity: Innovation through Collaboration*³ and this point about adaptation has serious consequences for the central problem: what conditions encourage the process of innovation?

To translate the question into Schön's terms, what conditions encourage displacement? Some are psychological conditions inside the heads of individuals and groups, others are social or cultural. Of course it is important to draw distinctions between different domains: art, religion, business, also science, and technology. In these domains, innovation might take place in different ways. Collective attitudes to innovation also vary with cultures and with historical periods. In certain periods innovation was considered at best unimportant, and at worst positively wrong-headed. In art and religion in particular, tradition used to be

appreciated, whilst innovation was rejected. Religious innovators such as Martin Luther had to disguise their innovation, presenting their ideas as a return to the past: So, renovation, not innovation; reformation as re formation. In a similar fashion, artists and architects revived styles as with the neo-classical or gothic revival. It is only in the last 120 years or so that artistic vanguards and new religions no longer pay that kind of tribute to the past.

In this short article I will be thinking across the various subject domains, and focusing instead on social units: individuals, small groups, institutions, social milieux, and finally cultures. First I will identify certain obstacles to innovation and finally conditions that are favourable to it.

Habit – an obstacle

To turn the question upside down, what are the obstacles to innovation? Joseph Schumpeter once said, "Habit, is as firmly rooted in ourselves as a railway embankment in the earth." A certain way of doing things comes to seem natural. Individuals are often unaware of possible alternatives to their own tradition. If subversive ideas occur, they may be repressed, a kind of unconscious self-censorship. It was thanks to his awareness of these obstacles that

“Habit is as firmly rooted as a railway embankment in the earth. – Joseph Schumpeter”



Collaboration can take time. The Neo-Gothic facade of St. Maria del Fiore, Florence, was completed in the late 19th century – some 450 years after the Cathedral's consecration

“

Creative destruction – the essence of capitalism, a permanent revolution from within.

”



Systems of Censorship: *The Inquisition Tribunal* by Francisco de Goya

Schumpeter put forward the famous idea of creative destruction, viewing it as the essence of capitalism, and as a kind of permanent revolution from within. Originally formulated to analyse economic history, this idea is capable of a much wider application. In similar fashion, the Swedish geographer Torsten Hägerstrand has argued that the process of innovation always has a negative side as well as a creative side. He called the destructive side ‘denovation’ as opposed to innovation⁴.

In talking of innovation and institutions there is a paradox because their whole point is continuity, to make sure that the contribution of individuals and small groups outlives them. Many institutions such as Oxford University and the Catholic Church, have a long history of discouraging innovation. In 16th-century Oxford, a group was formed known as the ‘Trojans’ because they opposed the new idea

of studying ancient Greek. As for the Church, its proud motto was ‘semper eadem’, always the same. Systems of censorship have often been introduced to suppress new ideas. Even institutions designed precisely to innovate, can lose their openness or fluidity. They congeal, encouraging the people who inhabit them to become the prisoners of routine or habit. They can congeal fast, thus producing diminishing intellectual returns.

Whole cultures can go the same way, discouraging innovation. Spain was deeply creative in the Middle Ages, but from the 1490s onwards turned increasingly inwards: The expulsion of the Jews and the Muslims, the introduction of the inquisition, the ban on studying at foreign universities in case Spaniards became infected with the wrong kind of ideas, all of these events ensured that a remarkable series of innovations came to an end.

The blessings of setbacks

In a recent book *The Innovators: The Blessings of Setbacks* the Dutch anthropologist, Anton Blok suggests that individuals who become famous as innovators are not necessarily more talented than their colleagues. Instead, they work harder, sometimes obsessively so. Why? Because they have had to overcome setbacks: coming from a poor background, or losing their parents at an early age. Innovators are usually outsiders, geographically often provincial, psychologically often loners, so intellectually they take more risks, having less to lose. Success depends on factors such as whether or not they find a patron⁵.

The economist J.K. Galbraith suggested that outsiders have a detachment from conventional wisdom often aided by physical distance from the place where that wisdom was produced⁶. Exiles and expatriates play a crucial role. They view the knowledge systems of their host country with foreign eyes. If they remain abroad long enough, they sometimes see the knowledge system of their original country with foreign eyes as well. Among the most perceptive discussions of intellectual detachment are those of Central European sociologists; the Hungarian Karl Mannheim who fled from Hungary in 1919, went to Germany, fled again in 1933 and went to England, and his German assistant in Frankfurt Norbert Elias who joined him in exile in London in 1935.

Nomad intellectuals

There is also a certain kind of disciplinary displacement; nomad intellectuals who can even be seen as renegades. These nomads train in one discipline and work in another. They take along a cast of mind from the old discipline and

in adapting to the new one, notice things in the second discipline things that had not been discovered before. For example, Vilfredo Pareto trained as an engineer carried over with him his ideas in dynamic equilibrium into his work first as an economist, then as a sociologist. Again, the English biologist, John Maynard Smith, who was trained as an engineer, used his engineering skills in his study of the evolution of the flight of birds.

When problems need to be solved, it has been argued that cognitive diversity is even more important than ability. Two or three points of view are better than one⁷. This implies a critique of the common emphasis on innovation as the work of individual geniuses. The popular mythology of innovation is dominated by these individuals – artists, scientists, philosophers, inventors, or as Schumpeter liked to emphasise, entrepreneurs. These geniuses, Leonardo da Vinci in his workshop, Rene Descartes in his stove, Isaac Newton under his apple tree, are all assumed to be solitary individuals thinking creative thoughts when they are alone. But my reading of history suggests exactly the opposite.

Adam Smith virtually invented the subject of economics. His statue in Edinburgh



Discovering DNA

I believe the propensity to innovate is a collective as well as an individual phenomenon. It depends on interaction and exchange even if some individuals contribute more than others to the processes. Take the case of the discovery of the double helix. It has been mythologized as the work of Francis Crick and James Watson, but they were not alone. They were competing in a race against time with the American chemist Linus Pauling. They were working with a colleague Maurice Wilkins who eventually shared the Nobel Prize. And they gained crucial information from the crystallographer Rosalind Franklin, the so called "dark lady of DNA," who did not get the credit which she deserved for the collective discovery, at least at the time. So, here, as so often, the locus of innovation was the small group, ideally with common interests but different approaches, often educated in different countries or coming from different disciplines.

In the academic world the locus of creativity is often the seminar or institutes of advance study where people from different disciplines can meet daily for six months or a year. I owe a great debt to both the Princeton Institute and to its counterpart in Berlin the Wissenschaftskolleg.

Clubs, cafes and bars

Informally the role of clubs is very important especially in the English speaking world. Adam Smith virtually invented the subject of economics when he was talking to merchants in the political economy club in Glasgow. It was an interesting exchange between the practical knowledge of merchants and the philosophical knowledge of Smith. In other countries informal exchanges have taken place in cafes or bars, regularly frequented by a group of friends with common interests, what the Spanish call a tertulia. It was a great institution in Spain at the turn of the 20th century. A special table would be reserved for this group of friends and they would meet on a certain day of the week, so that the proprietor knew they were coming. Drinking – especially drinking in public – is a great stimulus to creativity, lubricating the speech and making possible an intellectual jam session. So, cafes and bars are part of what has been called the soft infrastructure of innovation, helping to generate the flow of ideas and inventions.

Take the example of London in the late 17th and early 18th century, and the proliferation of coffee houses in which customers not only read newspapers but they conversed. Some houses specialized in particular kinds of conversations. Lloyds was the place to find merchants. Child's

Photo source: A. Barrington Brown / Science Source

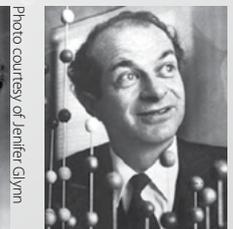
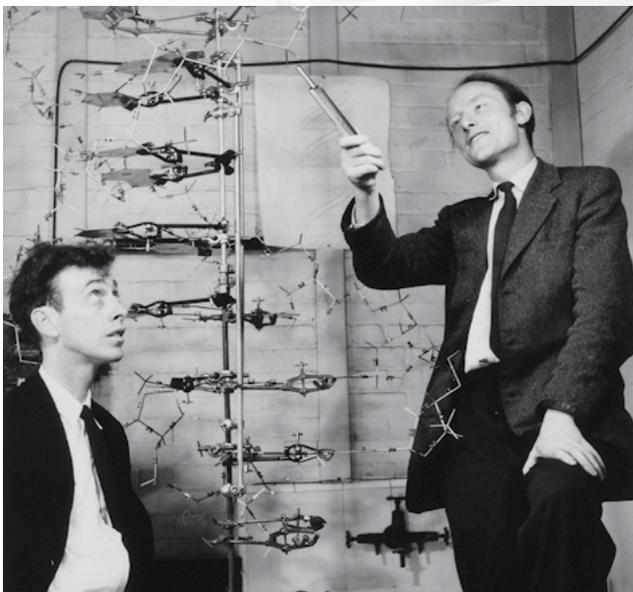


Photo courtesy of Jennifer Glynn

Innovation as a collective phenomenon - the discovery of DNA. From left: James Watson and Francis Crick, their colleague Maurice Wilkins, the crystallographer Rosalind Franklin, and their American competitor Linus Pauling

The Third Place - soft infrastructure of innovation. A boisterous London coffee house, circa 1668

Photo source: Lordprice Collection / Alamy



and Garraways were the places to find what we now call scientists, then known as natural philosophers. Wills was the haunt of poets.

Something similar existed in Vienna in the early 20th century, when it was famous for cafes. One of them hosted a discussion group in the philosophy of science that met every Thursday, and included Otto Neurath, the founder of an interdisciplinary movement for unified science.

Nowadays, as the management theorist Nonaka tells us, certain Japanese firms have established talk rooms where researchers are expected to discuss one another's work whilst drinking tea. And some of these firms also hold sessions at inns at the weekend. The normal rules of discourse differ greatly from those dominant in the workplace. Hierarchy temporarily disappears. The atmosphere is egalitarian. It allows new ideas to flow along with the sake⁸. Alcohol is a great remover of inhibitions. In this way small groups support individual innovators and are sometimes responsible for innovation itself.

Can institutions innovate?

So the next question is, what supports the small group? So we come back to formal institutions as the hard infrastructure. Some of them are purpose built, specifically founded to foster innovation. In the United Kingdom there is a government department for Business Innovation and Skills. In Australia there is a department of Innovation, Industry, Science and Research. I am a bit sceptical as to whether these

departments have made a great contribution to innovation. In my view, indirect approaches are more likely to succeed than direct ones.

Outside universities there are government think tanks, whilst discoveries made in private laboratories may not be made public, to keep information from rivals. Educational institutions also have a role to play. Universities that were once designed for the transmission of tradition since the 19th century have reinvented themselves as centres of innovation. But the problem with permanent institutions is that routinization often comes to replace creativity. If he were alive, Schumpeter might suggest that there is a need for creative destruction in this domain.

The most effective way of promoting innovation would not be to try and reform old institutions, since they often have a great capacity for resistance. I think it is more cost effective to found new institutions. I mentioned earlier the Annales School of French historians founded in the University of Strasbourg. It was an old university, but after World War 1, when it was transferred from Germany back to France, Bloch and Febvre found themselves in effectively a new university.

New universities – magic moments

In England seven new universities were founded in one go in the 1960s. The first of them was the University of Sussex. The ambitious Mission Statement at that time was

to redraw the map of learning, and to do this by encouraging interdisciplinary approaches even at the undergraduate level. I learned from this experience that a new institution is often accompanied by what might be called a “magic moment of creativity.” One reason for this is that the new institution is small enough to allow for face to face groups of diverse individuals to form. Another is a sense of solidarity among newly appointed groups of teachers, often young, and committed to new ways of doing things. But I also learned from my time at Sussex that magic moments come to an end. Routinization takes over, although in history there are significant exceptions, such as 15th century Florence.

Creative cities

Beyond all these institutions is the city. Big cities in particular have been described as incubators of human creativity, or hubs of creative revolutions. The geographer Peter Hall devoted a large book to creative cities in history⁹: ancient Athens, Renaissance Florence, Enlightenment Paris and London, Vienna at the beginning of the 20th Century. One reason for the importance of cities for innovation is the concentration of institutions, especially universities. Another is that they act as a magnet for immigrants, people with different ways of looking at the world from the local population.

Displaced people can contribute to the displacement of ideas. Vienna before 1914 saw

innovators such as Freud, Wittgenstein, Mahler, Klimt, the architect Adolf Loos, the novelist Robert Musil, and most of them came from the provinces, drawn to what was then the capital of a multilingual, multicultural empire. After 1919 Vienna declined into the capital of a small state and has not been closely associated with innovation since then.

Talent, technology and tolerance

Or take the famous case of the migration of central European scientists and scholars, most of them Jewish, most of them German speaking, going to the United Kingdom and America in the 1930s. The Germanic culture of method and theory, encountered the more empiricist Anglo-America tradition. This encounter led to lots of misunderstandings, but in the long run it turned out to be extremely creative. In fields as different as physics, sociology and art history, some theory rubbed off on the English, and a greater respect for empirical evidence rubbed off on some of the Germans. Of course numbers and critical thresholds were very important here. A few immigrants might be accepted or assimilated by the host culture. But in certain small subjects like sociology or art history in Britain in the 1930s, the critical mass of the refugees was sufficient to shake up the system and produce innovation. For this cross fertilization to take place, the refugees had to be welcomed and given a home. The culture as a whole had to be an open one. This was true of the Dutch Republic in the 17th century or



The shock of the new: The Louvre Pyramid in the courtyard of the Louvre Museum, Paris



“ For cross fertilization to take place, the refugees had to be welcomed. The culture as a whole had to be an open one. ”

◀ Adele Bloch-Bauer I, 1907, by Gustav Klimt

England in the 18th century, the converse of the closed culture of inquisition Spain in the 16th century, or Japan's closed door in the early 17th century. So there is a need for cultures to be open and tolerant. That is the third of Richard Florida's 3 conditions of innovation the 3Ts¹⁰. He talks about Talent, Technology and Tolerance. But the example of Renaissance Florence reminds us of a fourth condition – a culture of competition – maybe equally necessary for innovation. It may make life less pleasant, but it does have a creative effect.

The Buzz

A final reason for the importance of cities in the process of innovation is that they offer the spaces of sociability – the ecological niche, in which small discussion groups flourish, leading to what some people call the buzz. One bright idea stimulates another one. There was a lot of buzz in Renaissance Florence, Enlightenment London, fin de siècle Vienna. Even in the age

of the internet, face to face communication remains indispensable. In an age of urbanization it is comforting to discover that a city is still a creative milieu, a new idea in one domain encouraging innovation elsewhere. Yet again displacement, but the effectiveness of cities depends on their size; not too small, not too large. Renaissance Florence at its peak was a city of less than 100,000 people. Enlightenment London less than one million, and of course the creative centre, the place where you could find all these discussions going on, was very much smaller. The larger the city, the greater the dispersal of homes, and then the traffic problems discourage the kind of intellectual sociability out of which new ideas, magic moments, have so often come. I hope that these reflections on innovations in the past will increase consciousness of alternatives in the present, alternatives to the way that we happen to be doing things now. Such an awareness of alternatives is itself a precondition for innovation.

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*The old monkey surveys devastation
This was his home
He was once part of a family
Now he is ill
In the distance a chain saw starts up
The forest suffers still*

Sustainability

What Chance?

An Interview with Xi Zhinong

By Eric Collins

Xi Zhinong is one of China's foremost wildlife photographers and conservationists. He has worked for *Animal World*, a documentary series at China Central Television, and subsequently captured extraordinary images of the scarcely known Yunnan snub-nosed monkey. Publicity from this work led to the preservation of the monkey's remote habitat in the mountainous regions of south west China. He has filmed other conservation issues, such as the plight of the Tibetan antelope which was on the verge of being poached to extinction. Mr Xi was named Wildlife Photographer of the Year in 2001 by *BBC Wildlife Magazine*, and is a senior fellow of the International League of Conservation Photographers. All photos courtesy of Xi Zhinong/WildChinaFilm.

Is the destroyed forest symbolic of wider environmental destruction?

Yes, this picture is very symbolic. The China economy has seen rapid development in the last 20 years and local governments have given priority to economic development. The natural environment has deteriorated very quickly.

Where did you take the picture and where is the monkey now?

The photo was taken in Laojun Mountain, Lijiang, Yunnan in 2000. The site had been deforested for the development of a tourist resort. This monkey, an older bachelor male, had become separated from his parent group, and had to leave his original area. There were originally 15 groups of monkey. They have

become isolated from one another as the forest has been destroyed and the connection between the groups has been lost, Luckily the Laojun Mountains cover a large area, there are still many of them left.

The male snub-nosed monkey practises polygamy and has multiple wives. This mature male monkey found it hard to compete for a female, and was expelled by his peers. He will only join another group if he was successful in finding a partner. But most likely, this monkey will stay alone for the rest of his life.

Can these 15 groups of monkey survive?

The exercise to protect the snub-nosed monkey forced the central government to issue policies from 1996 to 1998 to protect wildlife, and save virgin forests. I believe most of the monkeys were saved and are now living in conservation areas. Meanwhile the public's awareness of protecting wildlife has increased. If there is no further big scale deforestation, I believe these monkeys can survive.

Is deforestation still happening?

Large scale deforestation had stopped but small scale deforestation is still hard to prevent, even to this day.

Is there a difference between the issuing of a policy in China and its implementation?

You might say this is a Chinese characteristic. Local governments tend to focus more on economic development and they may be unwilling to implement a policy initiated from the top. There is still a lot of room for improvement in this area.

What are the immediate environmental impacts of deforestation?

A large area of the world's forest disappears every year. Especially in mountains at high altitude it is hard to recover from deforestation because the regrowth is slow. For the wildlife living there, deforestation means

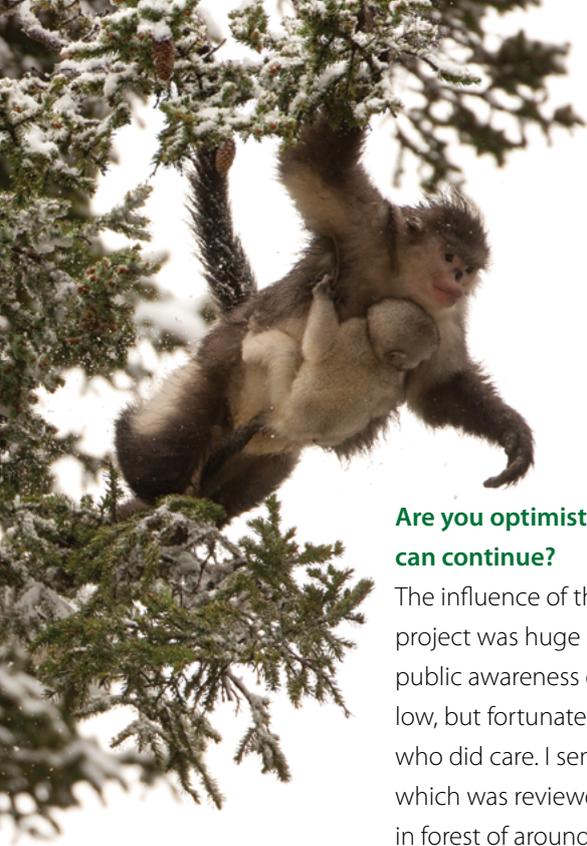
a total destruction of their habitat, and it is nonreversible. This situation causes lots of problems such as loss of top soil, which in turn can cause catastrophic flooding at lower levels. The situation is different in tropical areas, where trees grow much faster.

What drew you to work with the Tibetan antelope?

I was involved first in the protection of the snub-nosed monkey. Later in 1997-98 I went to the Hoh Xil area in Golmud, Qinghai twice and photographed extensive Tibetan antelope poaching. New-born antelopes were starving to death beside their dead mothers, unborn baby antelopes dragged out from the mother's body by vultures. My heart was dripping blood.

Both the snub-nosed monkey and the Tibetan antelope became important in the history of conservation in China. In 1997 *Newsweek* magazine carried a cover story on the "China Green Revolutio". It featured the snub-nosed monkey conservation project. The magazine said it was the first "grass roots" exercise to gain widespread support from the media, and eventually influence the central government.





Are you optimistic that the green revolution can continue?

The influence of the monkey conservation project was huge 20 years ago. At that time, the public awareness of conservation issues was low, but fortunately there were some officials who did care. I sent a letter to the government which was reviewed by 16 officials. This resulted in forest of around 100 km² being saved. An RMB11 million subsidy has been given annually to the local government of that forest up to the present, but unfortunately none of it has been used on the conservation of the monkey?

Do you see any change in attitudes in the younger generation in China?

Yes, the changes are very obvious, especially in the younger generation. Nowadays primary school students may be even more aware of conservation issues than university students. These changes are due to increased public awareness, the improvement of the social atmosphere as a whole, the efforts of the conservation groups, and the attention from the media.

The problems that these groups tackle have also become more serious. Pollution in major China cities has also made people change their attitudes. Fresh air, clean water, and safe food have become increasingly hard to get. The problems are serious and the people can no longer ignore the situation.

A number of non-governmental organizations (NGOs) have ramped up their activities. For example [Friends of Nature](#) has given strong support to the conservation of the monkey. It is one of the largest and longest surviving NGOs in China, and now other NGOs have been set up in China. With another environmental conservationist, I initiated the setting up of [Green Camps for University Students in China](#) to educate university students.

Do younger people need to make more direct interventions?

That monkey conservation letter was reviewed by the top officials at that time, so writing can work. Compared to the snub-nosed monkey, there are more serious issues to address in society nowadays. But our society has changed. Even if you write 10,000 letters, you may not be able to change the government. I find myself wondering if society is improving or regressing.

Is our human habitat being destroyed, for example the air pollution in Beijing?

Yes, that's why the public and the government have to face this problem seriously.



Many people are leaving for other parts of the world especially the Pacific Rim. How habitable are the cities?

It is a situation that makes you despair. The majority of Chinese people need to stay but the territory has been destroyed and the people can barely live here now.

Do you feel that history knocked on your door?

Well, no one is born a protector! I experienced a lot of freedom in my childhood, living in a wonderful natural environment. I became very attached to nature. And then I developed a strong interest in wild birds. But I knew it wasn't enough to just focus on birds, so I start focusing on the whole of nature. I began to learn from nature and from indigenous people. I also learned from the western experience in environmental protection. Gradually I become a person dedicated to the protection of the natural environment. In my early life environmental protection was a dream. Later, it becomes a responsibility.

Does Hong Kong do enough to protect the environment?

During my last visit to Hong Kong 14 years ago in 2001, I gave a media interview. At that time, the headline was "China environmentalist comments on Hongkongers overuse of air-conditioners." After so many years, I still find Hongkongers are wasting energy. Now it is winter, but nearly all indoor areas such as

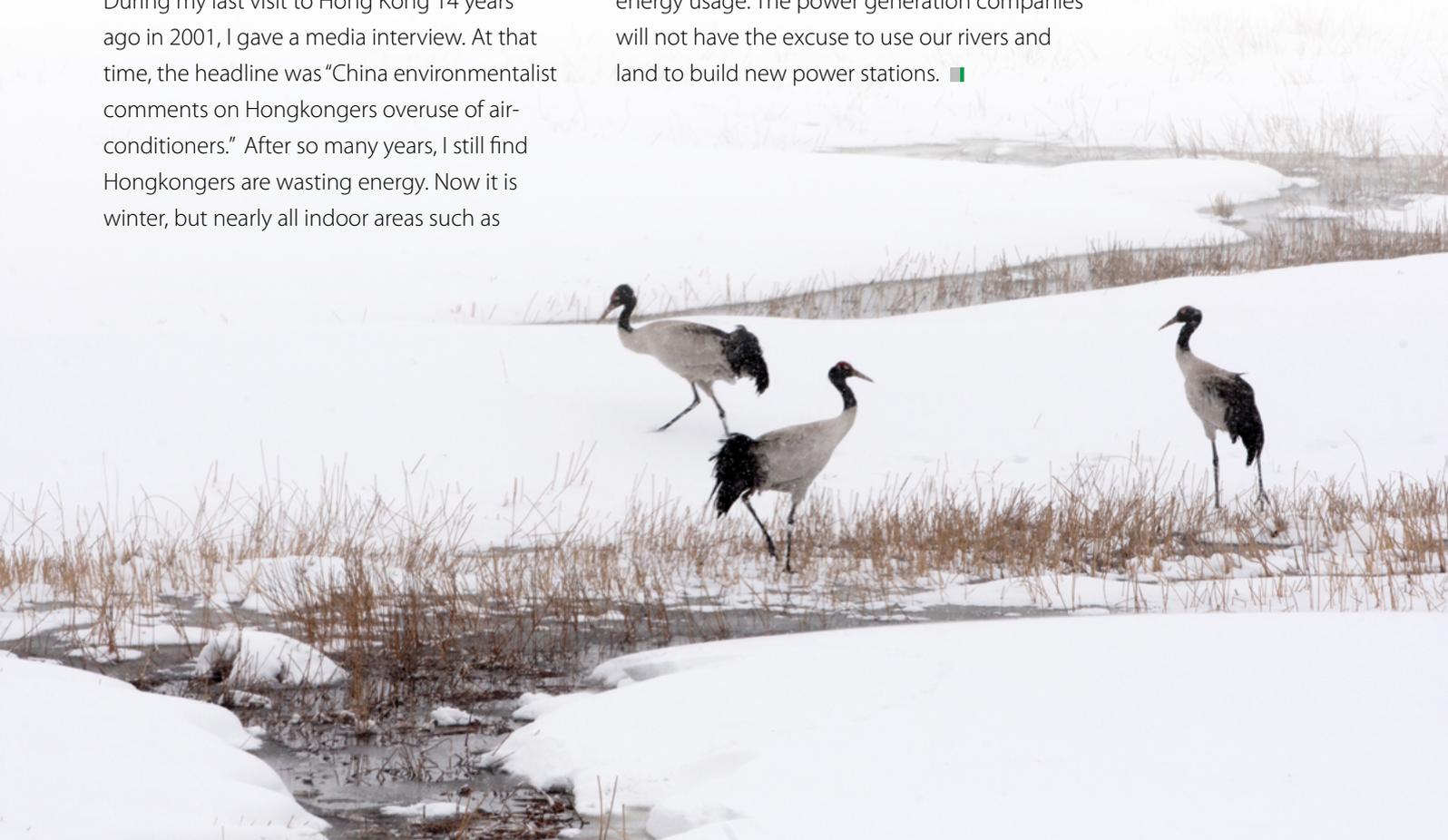
shopping malls, classrooms on campuses and even various types of transport are still air-conditioned.

Can we learn from countries like Germany to use more renewable energy?

Yes. The use of renewable energy should be initiated by governments. Hong Kong people have a lot of room for improvement in terms of using energy. There is an old saying – it's easy to move from a simple life to luxury, but difficult to reverse. Think of the life of Hong Kong people or Beijing, Shanghai or Guangzhou people before the invention of air-conditioners. Now everywhere is air-conditioned. Modern people no longer experience the change of temperature and the change of seasons. It's a horrible, ridiculous situation.

Should we build more sustainable buildings?

The [College of Business](#) or [CityU](#) should conduct research on the amount of energy being wasted by Hong Kong people. I believe the results would be astonishing as Hong Kong people waste so much energy every day. This is the sort of applied research that we need. If we use the energy wisely, we may save 50% of our current energy usage. The power generation companies will not have the excuse to use our rivers and land to build new power stations. ■



CHINA's Air Pollution: Escaping the Prisoner's Dilemma

By Professor Jeff Hong

Professor Jeff Hong is Chair Professor in the [Department of Economics and Finance](#) and [Department of Management Sciences](#) at City University of Hong Kong. He received his PhD from Northwestern University in 2004. Prior to joining CityU, he was Professor and Director of Financial Engineering Laboratory at the Hong Kong University of Science and Technology. Professor Hong's research interests include business analytics, operations research, and financial engineering. He has published extensively in leading academic journals in business areas, and has won several prestigious awards from international academic societies. Professor Hong enjoys reading history and economics in his leisure time.

In early March 2015 a documentary film on China's air pollution, *Under the Dome*¹, attracted a huge amount of public attention. Within the first three days of its release it had been viewed more than 150 million times on the Internet. It has since occupied the headlines of major media platforms and triggered furious debate. The film, produced by Chai Jing a prominent Chinese journalist and popular TV anchor, took a personal angle to look at China's air pollution issues and especially PM2.5 pollution. This particulate matter, with diameter less than 2.5 micrometers, is one of the most dangerous types of air pollutants, because the particles are so small that they can penetrate into our lungs, enter our blood stream and cause many diseases such as lung cancer and heart attacks.

This was not the first time that PM2.5 had attracted media attention. For most Chinese people the term PM2.5 had never been heard of before 2008, and was not linked to the deteriorating air quality in big cities. But in 2008, the U.S. Embassy in Beijing set up a Twitter feed reporting PM2.5 levels on their roof top in real time. The numbers soon shocked the general public because they indicated the air was not only heavily polluted but sometimes toxic. Public attention finally pushed the Chinese government to report real-time PM2.5 readings in 2012 and to look at the issue more seriously.

The instance of a documentary film produced by a celebrity and drawing huge public attention is not new to us who have worked on environmental issues. In 2006 the former U.S.

Vice President Al Gore released a documentary film *An Inconvenient Truth*² addressing global warming and climate change issues. The film occupied media attention and triggered much debate in the U.S. and abroad, and certainly helped the Intergovernmental Panel on Climate Change (IPCC) and Al Gore to win the 2007 Nobel Peace Prize. Sadly, however, the global warming issue remains with us today and very little progress has been made globally since 2006. So, in fighting China's air pollution, what can we learn from the unsuccessful experience in combating global warming?

Global Warming

Is our global climate system warming? There are multiple strands of scientific evidence supporting this argument. In Figure 1 we extracted some statistics from the latest IPCC assessment report³. One can see clearly that there has been an increasing trend in global temperatures in the past century and, consequentially, the globally averaged sea level has also risen significantly during this period. However, scientists are still debating whether this global warming was caused by human activity and, in particular, the burning of fossil fuels since the industrial revolution. It is clear from Figure 1 that the burning of fossil fuels, including coal, oil and natural gas, has caused a drastic rise of CO₂ concentration in the atmosphere, and it is also supported by scientific experiments that the increase of CO₂ concentration can cause greenhouse effect and lead to higher temperatures. However, our global climate system is very complex and we can never conduct experiments at



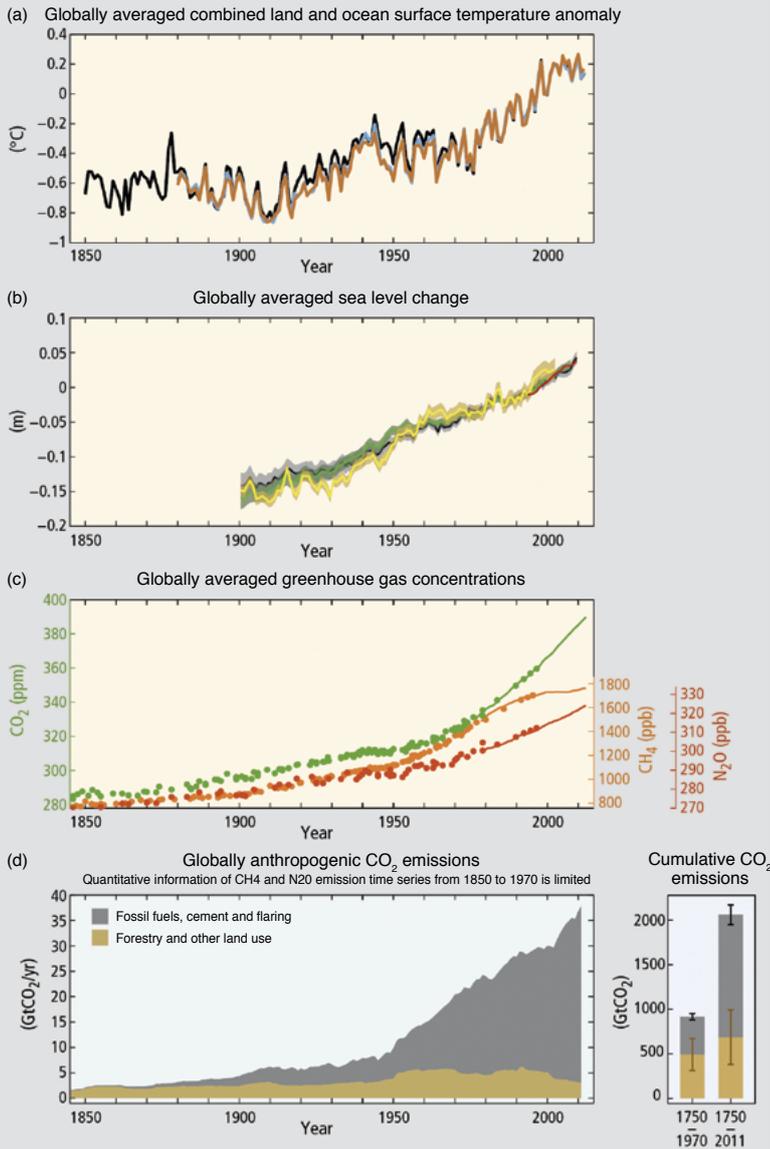


Figure 1. Statistics from IPCC Synthesis Report 2014

this level to prove the linkage with 100% confidence. Therefore, in its assessment report, the IPCC concluded that “most of the observed increase in globally averaged temperatures since the mid-20th century is very likely due to the observed increase in anthropogenic greenhouse gas concentrations.”

Therefore, to slow down or to stop global warming, we have to restrict greenhouse gas emissions. The earliest attempt to do so dates back to 1992 when the United Nations Framework Convention on Climate Change (UNFCCC) was developed. Aimed at stabilizing global greenhouse gas concentrations in the atmosphere, UNFCCC organized a series of negotiations among its 196 state parties to form protocols which may set binding limits on greenhouse gas emissions. The Kyoto Protocol adopted in 1997 was a first important step forward. Parties involved in the protocol, who collectively accounted for 85% of greenhouse gas emissions, committed to reducing emissions to an average of five percent against 1990 levels within the first commitment period from 2008 to 2012. 37 industrialized countries and the European Community agreed to binding targets, but the U.S. which was the largest greenhouse gas emitter at the time, did not ratify the protocol. As of 2012, only about half of these countries had achieved their targets. And of these many were east European countries, whose achievement may be attributed to significant economic downturn after revolutions in the early 1990s, rather than active environmental controls. Most importantly, the Kyoto Protocol failed to stop or slow down



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To slow down or to stop global warming, we have to restrict greenhouse gas emissions.

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the increase of the global greenhouse gas emission, as shown in Figure 1.

The situation was even worse when it came to the second commitment period. The Copenhagen Summit was held in 2009 to try and attain a consensus on a climate change mitigation framework beyond 2012. Despite the presence of many world leaders, including the U.S. President Barak Obama and China's Premier Wen Jiabao, the results were disappointing. Although an agreement for the second commitment period from 2012 till 2020 was finally reached at the United Nations Climate Change Conference, known as the Doha Amendment near the end of 2012, only 36 countries agreed to binding targets up to July 2015, while acceptance of 144 countries is required to activate the agreement. As for the world's largest emitters, China participated in both commitment periods but did not accept any binding targets, while the U.S. has not ratified either treaty.

The IPCC projects that by the end of this century the global temperature will rise 1.8°C to 4.0°C relative to the 1980-1999 level. This may impact significantly on everyone who lives on earth. To use Ms Chai Jing's term, we are all living under the same dome. Reducing greenhouse emissions and slowing down global warming are beneficial to all of us and all countries. So why is it so difficult to reach an agreement?

Prisoner's Dilemma

The industrial revolution conventionally dates from the invention of the steam engine by James Watt in the late 18th century. The critical breakthrough was the ability to transform fossil

energy into mechanical energy. Since then the world has changed dramatically and global energy consumption has increased more than 20 times. Today, fossil fuels account for over 80% of the world's primary energy use, and they are the foundation for economic development and quality life styles. Therefore, we have to understand that, in many cases and regions, the right to burn fossil fuels – and with it the right to pollute – goes hand-in-hand with the right to economic development. To control the emission of greenhouse gases often implies controlling economic growth. This is sometimes difficult to accept, especially for developing countries where millions of people fight against poverty. For them, issues such as global warming or air pollution are perhaps too remote to care about. This explains why it is often people from more developed regions who are active in environmental issues and also explains why it is middle- and upper-class Chinese living in big cities who have started to care about air pollution. To handle the environmental issues, we have to recognize this tradeoff between economic development and emissions and to understand that people from different regions and different classes have different incentives and priorities.

To make the issue more complicated, greenhouse gases are global pollutants, meaning that emissions from a particular region affect not only that region but the entire world. For local pollutants, such as soil pollution or water pollution, one country (or region) often has the incentive to invest to clean them up because the people who bear the cost are the people who benefit. For global pollutants, however, things are very different. One

tendency is to rely on other people cleaning them up; then it is possible to enjoy the benefits without paying the costs. The consequence is that everyone wants to take a free ride and no one wants to pay the bill. This is very similar to the famous Prisoner's Dilemma in economics, where both prisoners are punished because they do not collaborate, but yet they will not collaborate (See box below).

Moreover, in the case of global warming, the incentive to stop it and the ability to do so are sometimes misaligned. Here are some examples. Firstly, island countries such as Tuvalu in the mid-Pacific, are most affected by rising sea levels, and actively seek a solution to global warming. However, their voice barely counts in global negotiations because of their small size and limited bargaining power. Secondly,

developed countries often have more money and more advanced technology to handle climate change. For instance, global warming causes adverse weather conditions and this has a direct impact on agriculture. Rich countries have more advanced technology to protect their crops or may use money to buy food from global markets, while poor countries have to rely almost solely on weather. Thirdly, large countries such as the U.S., China and Russia are big greenhouse gas emitters, but their very size presents some advantages in handling climate change. For instance, some have argued that Russia might even benefit from global warming because the retreat of Arctic ice will provide access to more resource-rich land, and a new and shorter trade route connecting Europe and Asia.

Prisoner's Dilemma

Two members of a criminal gang are arrested and imprisoned. Each prisoner is in solitary confinement with no means of speaking to or exchanging messages with the other. The prosecutors do not have enough evidence to convict the pair on the principal charge. They hope to get both sentenced to a year in prison on a lesser charge. Simultaneously, the prosecutors offer each prisoner a bargain. Each prisoner is given the opportunity either to: betray the other by testifying that the other committed the crime, or to cooperate with the other by remaining silent. Here is the offer: If A and B each betray the other, each of them serves 2 years in prison. If A betrays B but B remains silent, A will be set free and B will serve 3 years in prison (and vice versa). If A and B both remain silent, both of them will only serve 1 year in prison (on the lesser charge). The following table summarizes the payoffs:

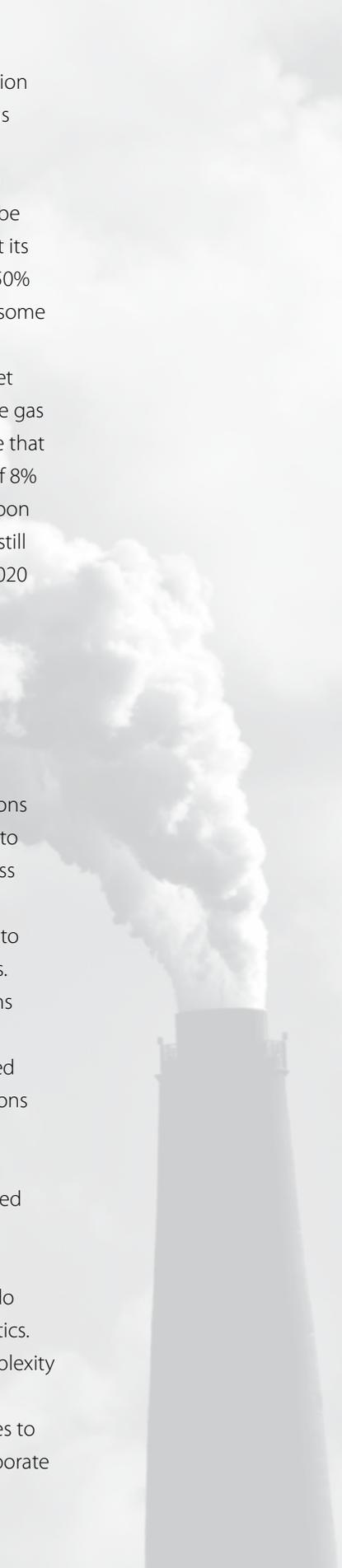
	Prisoner B stays silent (cooperates)	Prisoner B betrays (defects)
Prisoner A stays silent (cooperates)	Each serves 1 year	Prisoner A: 3 years Prisoner B: goes free
Prisoner A betrays (defects)	Prisoner A: goes free Prisoner B: 3 years	Each serves 2 years

Here, regardless of what the other decides, each prisoner gets a higher pay-off by betraying the other ("defecting"). The reasoning involves an argument by dilemma: B will either cooperate or defect. If B cooperates, A should defect, since going free is better than serving 1 year. If B defects, A should also defect, since serving 2 years is better than serving 3. So either way, A should defect. Parallel reasoning will show that B should defect.

The direct consequence of this prisoner's dilemma is that we see many proposals and a lot of blame games in worldwide climate change negotiations. The following are some of the (hypothetical) proposals and their critics. They will help us understand the difficulties in reaching a global agreement.

- **Uniform cut:** every country reduces greenhouse gas emissions by the same percentage. This proposal favors developed countries that have a large share of the current emissions and thus more room for improvement. They have better technologies so they can move heavily polluted manufacturing to developing countries and adopt nuclear and renewable energies. Moreover, this proposal gives developed countries permanent advantages, so that they can pollute more than developing countries.
- **Uniform per-capita target:** every person on earth should have the same right to emit a certain amount of greenhouse gases. This proposal favors developing countries because the present per-capita emission of developed countries may be several times bigger than that of developing countries. Setting a uniform per-capita target means that many of the developing countries do not need to do anything, while the developed countries have to reduce significantly. Given the huge population of developing countries, this proposal may not lead to any reduction at a global level.
- **Historical considerations:** The current global warming situation is caused by developed countries. For instance, the shares of the U.S. and countries of the European Union in global cumulative energy-related CO₂ emissions between 1890 and 2007 are 28% and 23% respectively, while the developing countries, including China and India, emitted only 30% combined. Therefore, when setting emission targets, some argue that historical contributions should be considered and developing countries should be allowed to emit more.
- **Carbon intensity:** greenhouse gas emission per unit of GDP. Some countries, such as China, are in favour of carbon intensity when setting emission targets because they believe economic growth should be encouraged. For instance, China has set its goal to reduce carbon intensity by 40-50% by 2020 from the 2005 level. However, some argue that, given China's fast economic growth, this seemingly impressive target will not help reduce China's greenhouse gas emissions. To give an example, suppose that China's GDP grows at an average rate of 8% per year during 2005-2020 and the carbon intensity is reduced by 50% by 2020, it still means that China's total emissions in 2020 are 60% higher than that of 2005.
- **Carbon footprint:** the total amount of greenhouse gas emissions caused by manufacturing a product. Some argue that emission targets should not be set according to a country's carbon emissions but to its carbon footprint. This takes into account the recent globalization process where some countries have become specialized in manufacturing and tend to have greater greenhouse gas emissions. But, the argument goes, these emissions should not be counted towards them because the products are not consumed by them. Therefore, some of the emissions are transferred to consuming countries (this is termed carbon transfer) and the manufacturing countries are not deemed responsible for these emissions.

All of these proposals make sense, but so do arguments put forward by their various critics. This brief overview demonstrates the complexity of global warming issues. We believe that, without the willingness of leading countries to give up their individual interests and collaborate



to maximize global social welfare, it may be impossible to reach a global agreement that is both fair to all countries and efficient in reducing global greenhouse gas emissions.

Back to China's Air Pollution

When we look at China's air pollution issue, we are forcibly struck by the similarities with the global warming issue. Firstly, PM2.5 not only affects local regions but also surrounding regions. They are acting like global pollutants in China. In the winter of 2013, PM2.5 caused heavy smog not only in northern cities, but also cities in the eastern regions such as Shanghai, Nanjing and Hangzhou, and cities in southern regions such as Guangzhou, Shenzhen and Hong Kong. Therefore, no single city or province would be able to solve this problem alone.

Secondly, China's economic development is not balanced. Cities like Beijing and Shanghai have a per capita GDP⁴ that is almost four times higher than that of poor provinces such as Guizhou and Gansu. Therefore, people from different regions also have different opinions on the importance of air pollution. People living in the rich coastal regions of China are more concerned about air quality and air pollution, whilst people living in poor rural regions may care more about lifting themselves from poverty and improving their standard of living.

Thirdly, the regions with the most PM2.5 emissions may not be the more developed regions. They may not have the technologies and/or the economic incentives to reduce emissions. According to a study conducted by Tsinghua University and the Asian Development Bank in 2013, seven of the most polluted cities in the world were in China. They are Taiyuan, Beijing, Urumqi, Lanzhou, Chongqing, Jinan and Shijiazhuang. Besides Beijing and Jinan, all are from the less developed regions of China. Many of these cities are the centres of coal mining and electricity generation. They supply coal and electricity to Beijing and other more developed coastal regions, and struggle to develop their

economies into other sectors.

Fourthly, as with global warming, there are historical considerations and carbon transfer which may be taken into account. Developed regions have historically polluted more than many of the less developed regions, and people living in developed regions certainly consume more products – and therefore have a greater emission footprint – than those living in less developed regions.

We have also seen many blame games in China's air pollution. For instance in *Under the Dome* Chai Jing blamed the burning of coal in China. She stated:

"Do you know how much coal was burned in China? It was up to 3.6 billion tons in year 2013. Do you know how much coal was burned outside China in this world? Our number is larger than the sum of others. Such consumption of coal last time happened in British in 1860s. They paid a destructing cost afterwards. Therefore, many other countries reduce and control their burning of coal after the Great Smog in 1960s. China, however, just started the reform and open policy and demanded large energy to take off. The coal was chosen... Where is the coal burned in China? In 2013, 380 million out of 3.6 billion tons were burned in Beijing, Tianjin and Hebei. 300 million out of the 380 million tons were burned in Hebei."

From these lines, we can feel her anger towards coal burning in China, especially in Hebei province where Beijing is centrally located. However, are there alternatives? An economy of China's size requires a huge amount of energy supply to sustain and to grow. At this moment, it has to depend on fossil fuels, such as coal, oil and natural gas. We are already very lucky that China has a huge reserve of coal which has powered China's economic growth for the past three decades. Of course, coal is not as clean as oil and natural gas, but China lacks these cleaner

fuels and has to buy them on international markets. If China is going to replace coal with oil, the oil price in the international market will soar. Moreover, it is unlikely that China can secure the oil supply given its current international relations and its political and military power.

Ms Chai mentioned the British experience in countering air pollution. But to secure its oil supply, the British government has historically used a range of foreign policy strategies. For instance in 1920, because of the discovery of oil in the region of Mosul, the British moved it into the newly formed "State of Iraq" despite the independence request of the Kurdish people living in the region. This eventually led to one of the most conflicted regions in today's world, and currently Kurdish troops with U.S. air support are fighting a war against the Islamic State of Iraq and al-Sham (ISIS) in the region. Again, in 1953 the British overthrew the democratically elected Iranian prime minister, Mohammed Mossadeq, in order to secure its oil interest in Iran, and the leading British oil conglomerate, the British Petroleum Company (BP), was the result of the coup d'état. We wonder if Ms Chai knows about this side of British history.

Escaping the Prisoner's Dilemma

Despite the many similarities between global warming and China's air pollution, we believe

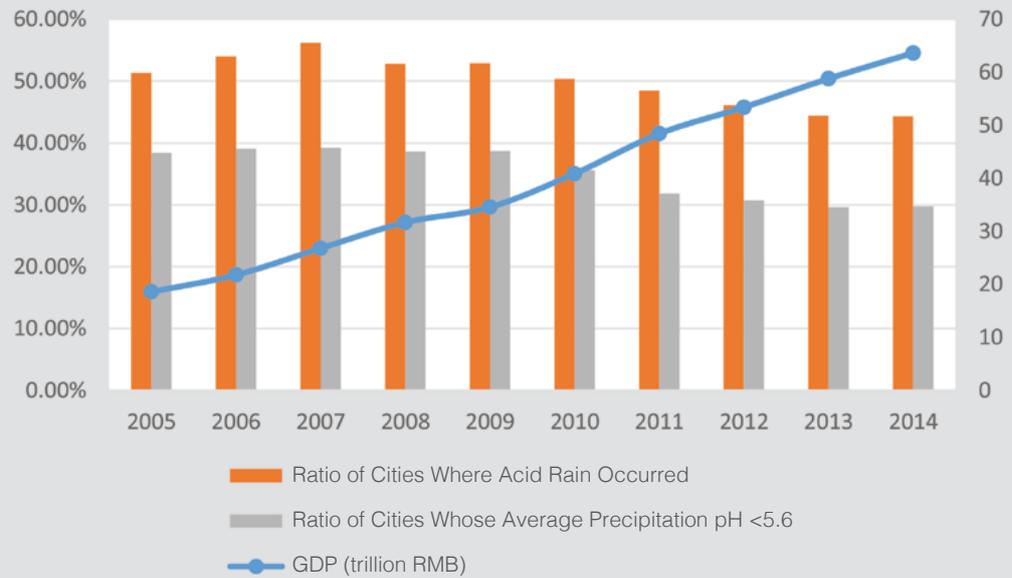
there is a crucial difference. In the case of global warming, IPCC can only serve as a facilitator in climate change negotiations, and has no real power over individual countries. In the case of China's air pollution, however, China has a strong central government that can not only coordinate effectively the interests of different regions, but also enforce policies that maximize social welfare on a country-wide level.

This is not the first time the Chinese government has faced an environmental problem on this scale. Before PM2.5, acid rain was once the most important environmental issue in China. Acid rain is a rain or any other form of precipitation that possesses elevated levels of hydrogen ions, a low pH level in other words. It can have harmful effects on plants, aquatic animals and infrastructure. Emissions of sulfur dioxide and nitrogen oxide which react with water molecules in the atmosphere to produce acids, are the main cause of acid rain. Again, the problem was caused by burning coal for electricity and, this time, because coal consists of a large amount of sulfur and burning coal produces sulfur dioxide and nitrogen oxide.

The Chinese central government has made a tremendous effort in solving the acid rain problem in the past 10 years. China has developed the most advanced desulfidation technologies in the world, and deployed them in coal power plants. According to Figure 2 with the data extracted from the Report on the State of the Environment of China from 2005 to 2014⁵, the number of cities where acid rain occurred decreased from 51.3% to 44.3% in the



Figure 2. 2005-2014 Acid Rain vs. GDP in China



period, along with a sharp drop in the number of cities whose average pH value was lower than 5.6, from 38.4% to 29.8%. These numbers may not look impressive at first glance. However, it is important to note that China's GDP grew more than three times during the same period. Taking the economic development into account, the improvement is indeed encouraging. The successful experience in fighting acid rain proves that the Chinese government has the capability to handle environmental issues and we are confident that the PM2.5 problem can eventually be solved.

What Can We Do?

As people living in China, we are not only the victims but also the contributors to China's air pollution problems. Instead of blaming others, we need to look at ourselves and take greater responsibility. There are typically two ways to reduce air pollution. The first is to reduce energy consumption, and the second is to use cleaner energy. Much has been talked about reducing energy consumption, such as using public transport, driving less, setting air conditioner to a reasonable temperature, etc. These are of course very important. However, here we want to emphasize the second way.

Besides fossil energy, there are nuclear energy, and renewable energy such as solar, wind, water etc. However, renewable energy is in general too costly and limited to certain regions. Therefore, we have to focus on nuclear energy. And there has been a lot of debate on the use of nuclear energy. For ordinary people like us, because of high profile accidents such as the 1986 Chernobyl disaster in the then Soviet Union, and the 2011 Fukushima accident in Japan, our first impression is that nuclear power plants are dangerous and we do not want to live anywhere close to them. In Hong Kong, this has been much discussed in recent years, because there will soon be nine nuclear power plants in neighbouring Guangdong province. Are nuclear power plants dangerous? In the most lethal Chernobyl accident, the number of direct deaths was 56, while in the Fukushima accident, it was 2. However, in 2013 alone, 1,049 workers were killed in coal mines in China and a decade ago, in 2003, the number was as high as 6,434. Therefore, it is not hard to conclude which one is more lethal. Of course, for most of the readers of this magazine who are middle- and upper-class city dwellers, mining accidents are remote and the risks of nuclear power plant accidents are more real. But when you compare

the number of people who suffer from heavy air pollution – for instance in Hong Kong more than 3,000 premature deaths were attributed to air pollution in 2013 alone – and those who may be affected by nuclear accidents, it still seems to make sense to replace at least some of the old coal power plants by nuclear ones.

In Hong Kong our air quality is worrisome. But we have to understand that it is us who are mainly responsible, instead of the neighbouring mainlanders. The three major sources of Hong Kong's air pollutants are electricity generation, navigation and road transport. According to the statistics provided by the Environmental Protection Department of Hong Kong SAR Government, the three sources accounted for 97% of Hong Kong's sulfur dioxide, 85% of

nitrogen oxides, and over 70% of suspended particles (including PM10 and PM2.5)⁶. On 18th February 2012, The Wall Street Journal published an article, named "No Easy Scapegoat for Hong Kong Pollution"⁷. It pointed out that Hong Kong's average level of nitrogen dioxide, a key air pollutant that makes people cough, ranked No. 2 among 32 major Chinese cities, and was worse than Beijing. The pollution was mainly caused by Hong Kong's aging buses and ships entering and leaving Hong Kong's ports. There are a lot of things that Hong Kong government can do, but the article concluded that "Hong Kong's government is lagging behind the mainland [in controlling air pollution]" and "Hong Kong needs to do more to address local pollution on its own."



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INNOVATION AND THE ONE-TRICK PONY

An interview with Alfred Chuang

By Eric Collins

Alfred Chuang is the Chairman, CEO and Founder of Magnet Systems, Inc., a California-based company producing enterprise applications for mobile which work with contextual awareness and complex transactions. Alfred is a member of the College of Business [International Advisory Board](#). In this interview, Alfred talks about the role of venture capital in innovation, his career in IT innovation into the Smartphone era, and the role of big data in the health sector.

INNOVATION AND VENTURE CAPITAL

You have started up several companies in the USA. Have you ever tried in Hong Kong?

Well I tried twice to start a software company here, went through a lot of planning, met a lot of people, talked to the government, even got things going in an incubator. But somehow it didn't work out. The business I'm in has an unspoken set of rules. We give people equity; we don't give them a lot of salary. So we give them what can change their lives completely. When you hit it big, it's big like nothing you have ever seen before. You change the world. And you deserve to be rewarded accordingly. But equities are vested over four years, and a subtle set of rules are implied.

So, what happens if it doesn't happen in the first four years?

You have to assume that you do another four, especially in the business I am in, enterprise software. If you grind it out long enough, you can make something out of it. But the

investment could easily be 4 to 8 years. That is not in the dictionary of the people here. I think culturally it is just not what people are used to. To struggle for four years without seeing returns is a tough thing. Look at how fast housing costs can go up in four years. People say: what happens if I don't hit? I would love to have run a tech company straight out of Hong Kong, and never have had to return to San Francisco. I would have done it in a heartbeat.

Is it to do with families holding onto ownership of their businesses?

Here the equity is not divided, so the people that come to work with large families don't really have a stake in the business. That means by default whatever salary they make now is what they make, so it is difficult to establish that trust. Why would they go all out to make it theirs if it is really not theirs? This is different to the typical venture capital model in the USA.

I think it's still possible to reset that mentality, to share equity with employees, which is what a typical startup technological company would



Alfred Chuang addresses congregation at the University of San Francisco

do. But that is difficult for the family owners to swallow. So, yes, the family owned thing is in direct conflict with professional management.

But as a society Hong Kong is trying to innovate?

Yes, that is what you see from the government message. It's all about that. I don't think anybody would disagree. People know that intellectual property is worth more than just about anything. They like it a lot. They know there is no manufacturing cost once you invented it. They know the margin is infinite. They like all that. But it takes time and it takes a different structure. It takes a lot more sharing. It needs so much more

trust. Trust has to last a lot longer. It is not like you report to me and you have to do what I say. It doesn't work that way.

So innovation through the venture capital model is not common here?

On this side of the Pacific it is yet to happen.

FROM MAINFRAME TO MOBILE

Your MS in Computer Science thesis was on tabular data objects.

I think I stumbled onto something luckily. This was at the beginning of the 1980s. The world was just in the transition from the mainframe

I would love to have run a tech company straight out of Hong Kong, and never have had to return to San Francisco. I would have done it in a heartbeat.



to the desktop computer, and I got a chance to work on some technology that was running UNIX. Back then UNIX was only for academics, not for commercial use. I saw it differently. I thought there is a different way to store data, distributively. This brings more power to the people, especially if you get the data closer to the people.

So I was working on scheduling algorithms for operating systems. This could not be more theoretical and boring! It's great for writing a paper and getting it published, which is what matters to academics. But I wanted something to be used so I jumped on to doing effectively distributed databases and I loved it, and I pretty much got stuck to continually applying this along the way. The world got more distributive and distributed and now effectively everybody is carrying around a pocket computer, a pocket server actually, in their smartphone.

So you're talking about how the databases relate to one another?

Right. The original mainframe architecture calls for all the physical data to sit in a single room. As we moved to distributed systems, the physical data needed to be freed from a single location. The work in distributed applications ultimately required the ability to locate data in distributed

locations. Not only did it allow fail-safe operation of replicating data, but it also allowed effective IT operations by allowing data to sit much closer to the user's actual location.

Recently we hear a lot about big data and messy data. Were you prefiguring that kind of work?

Not back in the 80s because it was almost unimaginable that people would have interest in storing completely unstructured data like a picture, for selling you stuff or catering things to you. Most of the big data applications today, if you look at it, are really still working after the fact. They are collecting tremendous amount of data on activities about the user. And at some point they are going to analyze it and do something with that.

What we are doing now is applying big data in real time. People come to browse a website, but they don't buy anything. In the future when you put something into a shopping cart and then don't check out, they are going to incentivize you to check out. So that is applied big data. I think this world will be highly sensitive, highly immediate, and maybe a little annoying!

More adaptive?

Very adaptive and very context-driven. So right at this moment, you would be equipped and would want to buy something. So how could I use this data to cater this to you, so that you finish this transaction right now? That immediacy is becoming ever more critical.

How has the corporate software business changed over the years?

The field that I work in is quite differentiated. People mix enterprise and consumer software almost into one now and you really can't tell the difference. We use this mobile phone for business, but we also use it as consumers, but the people who buy them are very different. The people that buy enterprise software are

more structured, more likely to be part of an organization. A typical Chief Information Officer will have somewhere between 5-7% of the budget of revenue to spend a year. So the IT budget of a bank is huge. Their buying patterns are about the same.

The evolution of technological change in enterprise software, has only happened a few times. We went from mainframe computers, which is everything all in one place timeshared; to client-server which is where software is run on PC and it talks to the servers. Then we went to web, which was a huge thing back in the early 2000s. It allowed you to run the same application anywhere you happen to be as long as you have browser access. And now we have mobile.

So what was your role?

With each of these major changes every single application has to be rewritten. Now, rewrite is great for me. That is what I want to do. I want to provide people with the technology needed to facilitate these dramatically different user needs. In that sense my entire career is like a one-trick pony! Whenever that major change happened, I got lucky enough to be right there and try to supply technology to go through with those rewrites.

SMARTPHONE ERA

In 2008, you set up Magnet Systems. Were you anticipating what has now happened in the Smartphone era?

In 2008 it wasn't that obvious. That was the first year that Android was released, one year after the iPhone was introduced. So no one would have imagined that everyone will have a smartphone in their pocket in just a few years and think it completely normal to search any kind of information, anytime, anyplace. It is addictive, and now everyone is addicted, and the only issue is that many corporate and institutions – including the Hong Kong Government, schools and so on – are still primarily on the web. They are yet to be on mobile. And my interest is to make that happen – to move all of that content into tremendously great mobile applications.

Magnet 'runs apps with contextual awareness'. What does that mean?

There is a big shift from web into mobile. Web computing is static. The great mobile apps that we now have, know where you are and know about what you are doing. So the app knows how to be appropriate, how to ask you a question. So when you ask, it supplies you with all the surrounding information.



Saving lives is a no-brainer. So how could we not provide information to that doctor? We better go do that first – and try to safeguard the data later in my opinion.

So position is essential to a mobile device.

Are there any other modalities?

I think a tremendous number. For example, if you are walking there is a certain set of risks. This requires all kinds of giro based data, location data and the sequence of how you get there become relevant. The information you have on your calendar, your recent activities, or maybe a note that said you are hungry, all that changes the way that the app should be asking you a question, and what is appropriate to ask at that point. So the more accurate it is, the better the results.

Every single advertiser is trying to chase this data, to know precisely the psychology that you're in at the moment. If that information can be bought, marketing people will pay. So that means every application needs the same highly contextual information. After a while it will know a lot about what you think, a lot about what you're doing. And I think that's the world we are heading into.

BIG DATA AND HEALTHCARE

Is there a conflict between using big data and privacy?

I'm going to use a practical example. If you go to any Hong Kong hospital you will notice that the registered nurses or doctors are still carrying a device called a pager, which no one else in the city uses anymore. The pager can only transmit simple messages. Patient data cannot be legally transmitted through more sophisticated systems such as WhatsApp or email to the doctor saying "Patient is having this reaction to the medication." In this case the law is old. Getting certified for the use of mobile phones and individual apps means running into the bureaucracy, and the law kicks in because

now we understand how valuable that data is. So privacy only matters when the data is valuable. They know it is valuable because people can sell you stuff.

Is it especially important to use big data in healthcare?

Do you know what really matters? Imagine a world where your loved ones are in ICU in a hospital and their primary doctor is on duty, but happens to be someplace else, not bedside. But the life support system is sending data direct to the doctor, who is looking at a beautiful application and says "Oh my goodness I know what just went wrong," and rectifies the situation by pushing a bunch of buttons on the phone. This patient gets to live. So I think bureaucracy must be eliminated when it comes to saving lives. That takes much higher precedence than anything else. Saving lives is a no-brainer. So how could we not provide information to that doctor? We better go do that first. And try to safeguard the data later in my opinion.

So liberalization of access to health data is a necessity?

Yes, otherwise they are going to lose competitive advantage and frustrate the people living in Hong Kong. The threat of viruses spreading is a continuous challenge in this place in particular because the weather is warm, distances are close, a lot of touching goes on, and the viruses spread very quickly. We also have a lot of old infrastructure, which allows viruses to spread. So how could we not do everything to improve public health? If somebody is sick, they don't move, they stop, we get people to you. This is the place we should implement this right now. How could we afford not to?

THE ENVIRONMENT

The environment often gets forgotten when people talk business. Is California in a climate shock?

We definitely are. And I think during the last 6 to 8 months in Silicon Valley in particular there has been almost no way to avoid it. Weekly and sometimes now daily, large trees are falling down on the road because they are so dried up. It's that severe. So it's been a very tough year, without any rain. And how much of that is created by humans that have done damage to our lovely planet? It has to be that reason, because it wasn't like that before. There is no other rational explanation. I am a scientist, trained to explain things the way things are.

How crucial is the situation?

It's a challenge, no doubt. I think the condition that we are in right now is a very severe one. If this winter California doesn't get a lot of rain, we are going to have some serious fires, and we are going to have water rationing problems. It's cyclical: you can't water the plants, therefore the soil has no water and that creates a lot of other problems along the way, this is bad.

People go to live where the jobs are. Because it is exciting, it's a place where invention and reinvention are happening every minute. The gap between rich and poor widens every day. So in some ways the trees have to fall down, in the most critical part of the United States which has the most awareness about the environment. I mean like we have no water. What are we going to do? Literally we have no water. And rationing is not a solution.

How about Hong Kong?

I mean we're looking out this window, you see the smog right? We can see fairly far, but it's hazy on Hong Kong Island. It wasn't like this when I was a kid here at all, because there were no factories in Shenzhen, not everyone had their air conditioning on all the time, there weren't this many cars. Renewable energy, solar, I mean we have to do it. I am actually stunned that there is no solar panel anywhere we

can see from here. I mean what is wrong with this place? So those are the things we have to do. We can't afford to damage this place, our earth any further. We have to stop, we really have to.

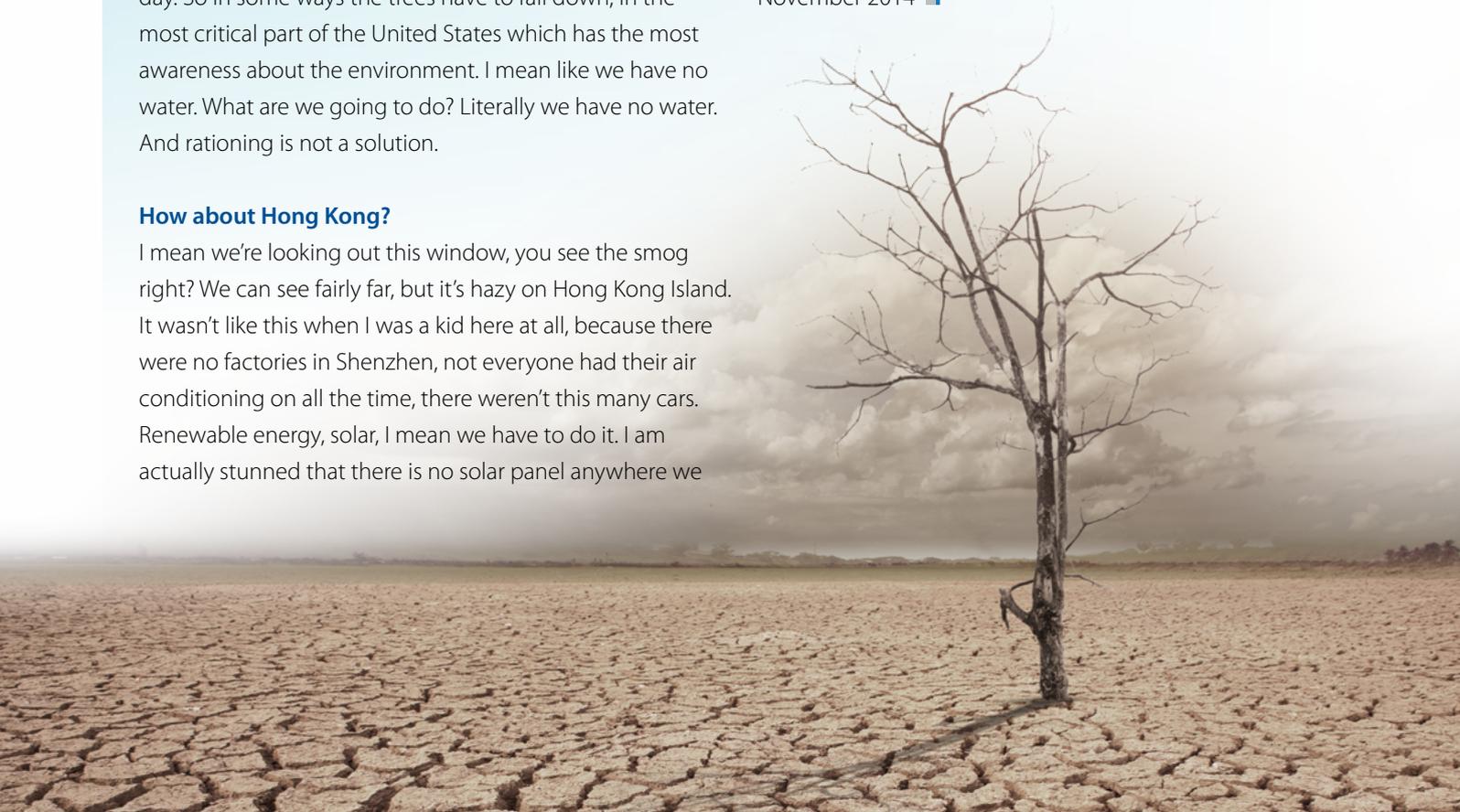
Adopting solar panels often happens in response to incentive structures set up by the government.

That's right and education. I mean you need an enormous amount of education to know, not only to save costs, but to make the right decision. Every bulb should be LED because they generate close to no heat and you don't have to change them for years. How could you not put one in? It would be crazy not to do it.

Is there any light at the end of the tunnel?

Of course there is. Hong Kong remains one of the most educated, multicultural, modern and smart cities where it's people has this insatiable need to upgrade and improve constantly. I see the urge for a much improved waste recycle culture, use of solar and wind power technology, popularization of alternative energy vehicles like electric cars, and use of heat insulation in building structure. I believe the sum of these actions will lead to a much greener, healthier Hong Kong.

November 2014 ■





Golden snub-nosed monkeys, Zhouzhi, Shaanxi, December 2004, by Xi Zhihong/WildChinaFilm



Seek wisdom – even if it is at the other end of the world

By Professor Muammer Ozer

Professor Muammer Ozer is Director of the [Doctor of Business Administration](#) programme and Professor of [Management](#). Professor Ozer has recently been honoured with the 2015 City University of Hong Kong [Teaching Excellence Award](#). He has been sharing his teaching philosophy and approach on many other platforms. In this personal reminiscence Professor Ozer looks back over his early life, the influences that shaped his education and choice of career, and how he became an 'accidental' professor of management.



My early life was shaped by these sorts of cultural sayings. Education was very important to my family. When my parents were young it was the time of the Second World War. There was a shortage of food, and lots of hardships and challenges. As a young man my father had no formal education, and finally graduated from secondary school as a mature student in his 40s. My mother also had no formal training, but she raised five children and was able to educate herself by helping us with our homework.

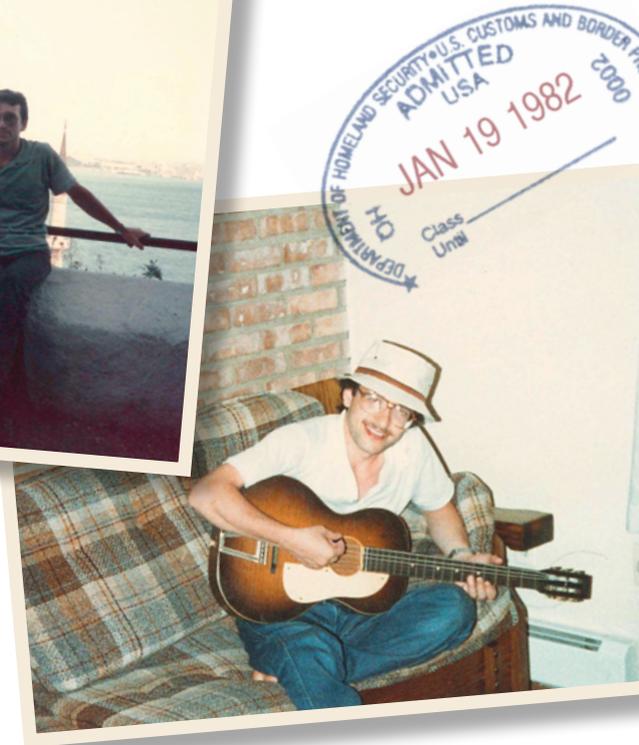
Turkey is a huge country. My parents moved from the northeast close to the Black Sea region bordering Georgia. The family were originally farmers coming from an isolated, mountainous and necessarily self sufficient region. I remember them saying that in the winters they would be cut off by snow for up to nine months. Eventually my father moved to the south, working as a tailor and trading in clothes. And

in the late 1960s he moved to the big city – Istanbul.

One of the world's oldest engineering schools

I went to a traditional engineering school, Istanbul Technical University, which dates from the 18th century. It was a highly structured and analytical school, and very disciplined. It had been founded as part of the Ottoman Empire, and had a long tradition in civil and mechanical engineering. This Empire was massive – covering parts of the present day Balkans, Hungary, Rumania, and other European countries, and at one time stretching almost all the way north west to Vienna in Austria and south east into Arabia. To cover these long distances, roads, bridges, irrigation works and later railways were necessary. These were the things that civil engineers worked on.





The university's foundation classes were in maths, geometry, introduction to physics, engineering, and then we specialised. It was very traditional, a far cry from today's interactive classes. There were hundreds of students in the foundation classes and I don't remember saying even a word in those classes. They took place in large round lecture theatres, with very steep seating and good acoustics. The professor would enter, turn his back to us, and start writing on a blackboard.

Learning English on the streets of Istanbul

In my free time I used to go to the Blue Mosque area of Istanbul. There I would volunteer my services as a guide, and in return learned English from the tourists. As a young undergraduate student, I, at that time, was not really interested in those old stone artifacts. But for the tourists they meant something, so I learned some history from them also! Sometimes, we would go on cruises up and down the Bosphorus, the narrow stretch of water separating Europe from Asia. There were fish restaurants up by the Black Sea. Some of the tourists became pen pals – this was well before email arrived.

Istanbul has always been a very progressive city. Every time I came back from the US, there were new tunnels, bridges, highways, infrastructure, a bit like China during the last few decades. It's

still going on. Now three new bridges have been built over the Bosphorus as well as a tunnel for the railway, and another tunnel for traffic.

A trip into outer space: The United States

I went to the US in the mid-1980s, a first for our extended family and friends as nobody had been abroad. I went on a scholarship from a Turkish agency to learn English formally. I studied English at Michigan State University – predominantly an agricultural college. I thought everywhere in the US would be like New York, very crowded, but East Lansing was basically a College town, and very small. It didn't feel like the US to me. For my family my going to the US was like sending someone into outer space! After that I went to Azusa, east of Los Angeles, a very hot and dry inland area skirted by desert mountains. Finally I went to one of the few business schools that would admit students in the winter – St Louis University – and graduated with an MBA after eighteen months.

Academic or business career?

I was interested in innovation and technology management, and gained an engineering scholarship under one of the most famous professors in innovation technology management. But like other young graduates I couldn't decide if I wanted to pursue an academic or a business career. Back home, a Taiwanese company offered me a job as country and regional manager for Turkey and the Middle East. But then the Chairman gave me some very fatherly advice:

"Look," he said. "You can always come back to work with us, but if you decline this PhD offer you may not have this kind of offer in the future. Maybe you should go and study for a few years."

The accidental Professor of Management

I was in engineering school for just a few months. Then my supervisor was hired to be the Director of a newly-created research centre at the University of Alabama – and unfortunately I could not go with him because they did not have a PhD programme. All the other remaining professors in the engineering school were researching on traditional engineering or manufacturing topics rather than innovation and technology management, which I was dying to study. As a result, I switched to the business school, a completely

unexpected turn of events. I did my PhD in Business Administration, at the Joseph M. Katz Graduate School of Business, at the University of Pittsburgh, Pennsylvania. So I am really an accidental professor of management!

The Business School was excited to get someone with an engineering background on board. You have to be independent as a PhD student and I was a really independent student, able to solve problems. It was a big adjustment getting used to interaction, group work. But in every research study there was at least a regression model. This is where I excelled. Friends and sometimes even professors would come to me and I would try and solve their problems.

Innovation – on the front cover

In the 1990s the US was booming. I quickly found out that there was no problem in legitimizing my study on innovation. It was a very visible topic, a cover page story on an almost weekly basis in *Time Magazine*, *Business Week*, or *Forbes*. I did not have to explain to people that innovation was a worthwhile topic to study. Innovation was, and is, the lifeblood of America.

And my timing was good. I did a dissertation in the early nineties on online business. So,



my research, at that time, was characterized as pioneering work. I was interested in preproduction market assessment of new product ideas. Even today more than 50% of new products fail. So what is viable? How do we assess new product ideas? I tested my model in the context of internet business. I set up four internet portals in music, sports, shopping and business information. Success was measured in hits or time spent in the portals. I required a user ID and password so it was possible to trace users. I could compare stated intentions against actual behaviour. Then I became a teaching assistant, a teaching instructor – and have really never looked back.

I will be willing to be your slave if you will teach me just one letter

Throughout their lives my family have always been supportive of me. A couple of years ago I came to understand the depth of this support. My father was seriously ill but he asked my family members not to inform me. To the last he was thinking of me and he did not want to disturb my research. Unfortunately he passed away, and I was late for his funeral. But that was another sign – the last sign – as to how serious he was about education and supporting my work.

My father grew up with concepts such as: “I will be willing to be your slave if you will teach me just one letter,” and “Accumulate knowledge rather than wealth.” He also believed that “A candle loses nothing by lighting another candle.” So, he was very happy that I was accumulating knowledge and sharing it.

For him, respect for education was something that never left him. I seek to emulate his example.

How life influences teaching practice

When I look back on my life so far, there are a couple of influences I can see that have clearly affected my approach to teaching. Firstly, I was brought up in a very conservative environment and received a traditional engineering education. The teacher was the purveyor of knowledge. The students respectfully listened and were essentially passive receivers of information. This model may be suitable for more hierarchical societies, but clearly has been supplanted in favour of interactive models in an environment like Hong Kong. In particular, with postgraduate students who are practicing managers, it is often possible to leverage their expertise to create interesting classroom interactions, and to work in learning partnerships. Secondly, my research work around innovation has given me a lifelong interest in this area – one that extends to teaching. So, the introduction of the [Discovery Enriched Curriculum](#) at CityU has very much chimed in with my own approach, and I take every opportunity to not only enrich my teaching content but also to incorporate innovative teaching techniques in and around the classroom. ■



INTO THE ZONE

Opportunities opening up in the Pearl River Delta

By Eric Collins

Dr Haywood Cheung is Chairman of Hong Kong listed Target Insurance Ltd and has over 30 years' experience in precious metals trading, securities and futures brokerage and Forex dealing in Hong Kong. Dr Cheung's first degree was in Geology with a minor in Economics from Concordia University, Montreal. More recently he has graduated from the College of Business at CityU with an [EMBA](#) and [DBA](#). Dr Cheung has served as President of The Chinese Gold & Silver Exchange Society, President of the New Territories General Chamber of Commerce, and Vice President of Guangdong General Chamber of Commerce. Dr Cheung has recently made a donation to CityU [EMBA College Development Fund](#). Here he talks about developments in the Pearl River Delta Free Trade Zones, opportunities for Hong Kong, and his own start in professional life.

Dr Haywood Cheung's office looks out over Hong Kong's answer to New York's Central Park: Kowloon Park. We are close to the top of one of the shiny new towers, looking down over the sprawling banyan trees 20 floors below. In his office, shields and certificates in the bookcase stand testament to his professional background in gold and silver trading. And on arrival after being caught briefly in the Kowloon traffic, Dr Cheung is affability itself.

"I was on the through train with three other learning partners," he says, referring not to his recent journey back to the office, but to the accelerated development which allows College of Business students to study the EMBA and the DBA in four years.

"It's very important for guys like me. If I had to give a second thought to starting up the DBA I would have quit!"

Why return to academia?

"The EMBA gave me a new life, it gave me renewed drive after so many years in business. And it laid the foundation for the DBA, and my thesis on the internationalization of the RMB." Dr Cheung is happy to discuss big topics such as the new Free Trade Zones in the Pearl River Delta:

"Hong Kong's recent economic relationship with Guangdong is more than thirty years old," he says. "The China economic boom of the 1980s was driven by the many Hong Kong entrepreneurs who moved their factories to Shenzhen. This helped further the economic reform of China. That phase is now finished because land and labour costs are so high, and manufacturing has moved north."

But now the Pearl River Delta presents a second wave of opportunities, this time in high-end technology services, finance, logistics, and education. The key is in the Free Trade Zones, the New Areas of Nansha in Guangzhou, Hengqin in Zhuhai, and Qianhai in Shenzhen.



Hong Kong is a trusted brand worldwide. We have a great base to participate in the new Free Trade Zones.



Commuting is doable

"This is a big project. These zones cover over one hundred square kilometres. And Qianhai is inside the one hour economic circle from Hong Kong. Commuting is doable. It is going to give lots of opportunities to our small and medium enterprises (SME) as well as to our young professionals." Having served as Vice President of Guangdong General Chamber of Commerce, Dr Cheung is well placed to outline the opportunities ahead.

The niche is in providing front line financial services related to off-shore finance.

"Shenzhen will start offering more specialized financial services but for the time being Hong Kong is still five years ahead."

"Hong Kong is a trusted brand worldwide. We have a transparent monitoring system, an effective mechanism for listing overseas enterprises, and an equity and commodity trading system which makes international fund transfers available to mainland China. That adds up to a great base to participate in the new Free Trade Zones."

The uses of Geology

Dr Cheung started out in tertiary education more than thirty years ago. This was a Bachelor Degree in Science with a major in Geology and a minor in Economics from Concordia University, Montreal. Why geology?

"When I got off the plane I was surprised that there was nobody from Asia. I couldn't even pronounce Montreal. The French language was everywhere. Montreal was a 90% French speaking city in Quebec Province."

"I was looking for something 'easy'. Geology was an unusual subject. All the Chinese were doing popular subjects like computer science, or accounting. I took geology because I am an active kind of person. There were lots of field trips, up to ten days at a time."

"In the third year I remember going out into the cold northern forests, to a sulphur mine. I was smoking at the time – although I did give up for that day! We were shipped out by car at six in the morning. Provision was basic. The mentor

gave us one apple, one sandwich, and one coke. I said *Thank you for the breakfast*. He said *That's for your lunch and tea break as well. See you tonight at 7.00*. Temperatures were down to -10 degrees Celsius. Easy option it was not."

And, surprisingly, geology has influenced his subsequent career.

"Back in Hong Kong one of my learning partners from Concordia said: Haywood, there are government contracts dealing with site formations. This was the time of the terrible landslide disasters of the early 1980s and the government was beginning to take land slip preventions and slope maintenance very seriously. So I opened up a construction company dealing with site formation, and we became a licensed company. For some years, we took up close to 30% of government land slip prevention contracts."

Concordia wasn't the end of his academic studies either. More recently Haywood has been studying with the [College of Business](#).



No such thing as too busy

Dr Cheung leads an extremely busy professional life but at CityU still managed to keep up to speed with study.

“In my book there is no such thing as I am too busy. Time can always be managed, even if it means working on a Saturday night or a Sunday morning.”

After thirty years in the financial markets Dr Cheung found the return to academia valuable. And he is not through with academic study yet:

“Academic work is a complement to my professional activity. The internationalization of the RMB – the subject of my research thesis – is an ongoing process, and that area lacks theoretical support. We need publications, promotion, channels, business models, further studies – and I would like to make a contribution.”

QE: a worldwide business model

As an ex-President of The Chinese Gold & Silver Exchange Society, Dr Cheung is often asked about the prospects for the gold market.

“Gold was the first commodity to respond to the Quantitative Easing of the US. But now QE is a business model for the world. Japan, Europe, even China. It has become almost institutionalized and therefore there is no longer a sharp reaction when yet another country announces a round of QE.”

“After almost 12 years of boom, the price of gold is now stable. Right now investment has moved to equities, so gold

will slow down. Volumes are still there but it will take a year for the return of a bull market.”

Hong Kong – still special

Dr Cheung comes back to the future of Hong Kong.

“The China boom over the past ten years or so has to an extent marginalized Hong Kong, but we are ourselves in danger of increasing that marginalization. We were once one of the beloved, but now mainland China is becoming more self sufficient. The current focus is on Shanghai and Singapore.”

And he has a specific message for our university students and graduates. There are chances now to get involved, specifically in the new Guangdong Free Trade Zones:

“Learn from your academic study, get into China, and then apply yourself to China. The window is still open: Hong Kong is still five years ahead in financial services.”

There are opportunities ahead for Hong Kong.

“The Asian Infrastructure Investment Bank is coming, and that will mean China building closer linkages within Asia, and that’s another chance.”

And his parting thought:

“The one thing we can’t afford to do is stay put in Hong Kong and wait.” ■

“

Apply yourself to China... The one thing we can't afford to do is stay put in Hong Kong and wait.

”

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CityU EMBA

Diversity creates Buzz

By Eric Collins

Professor Wenyu Dou is Associate Dean of [Graduate Programmes](#) at the College of Business and Director of the [EMBA \(Chinese\)](#) programme. Professor Dou received his PhD in Marketing from the University of Wisconsin, Milwaukee, and joined the [Department of Marketing](#) in 2004. He previously taught in St. Cloud State University and the University of Nevada, Las Vegas. Professor Dou's research interests include advertising, e-commerce, and social media marketing.

The CityU EMBA programme has been running for many years delivered in an English language version. Professor Dou has led the curriculum design of the EMBA (Chinese) for its launch in 2014, targeting Putonghua-speaking executives and entrepreneurs.

Consider this issue:

Times are hard. Your company has to cut its workforce by 20%. You must negotiate with your manufacturing, marketing, administration and finance departments. The blue collar workers are potentially hostile. Your oldest colleague heads up marketing. Administration and finance always argue they are indispensable. Where do you start?

"This is the kind of scenario we plunge our students into," says Professor Wenyu Dou, Director of the EMBA (Chinese) programme. "We put our students in the spotlight – literally. The scenario is explored over a whole day workshop, with students taking different roles; worker, secretary, manager, or CEO, and seeing the issue from various perspectives. The performance is recorded and then played back on a large screen for analysis. This is one of the programme highlights. The students just love it!"

The next Jack Ma?

The popularity of such learning scenarios is partly down to the type of students the EMBA is attracting.

"We go out of our way to work with the ambitious and dynamic," Professor Dou continues.

"We target people looking to jump start their careers, those who have international aspirations, those who have something to say. The great joy of working with these people is that we help them discover their own potential. It's all based on a global vision, a free exchange of ideas, and the realization that we can enjoy our time together. We are actively looking for people who can fit into this kind of proactive learning culture."

The majority of EMBA students are from private enterprises in China, with a sprinkling of entrepreneurs.

"We don't take highly established business leaders, like the Jack Ma's of this world. In fact we wouldn't get him anyhow!" joked Professor Dou. "But we do bring young ambitious business leaders and inspire them to be the next Jack Ma."

Trending

Most EMBA professors were born in China, educated overseas, and are now back here, so the cultural specificities of the China market are well understood. Hong Kong, with its high profile international status and unrestricted flow of information, is an ideal setting in which to teach international business. At the same time the commercial heart of Shenzhen is only a 30 minute MTR ride away.

“We incorporate trending social phenomena into our lectures. If it happened yesterday in China, we can talk about it today. We are on the same wavelength as our students,” enthuses Professor Dou.

Hot topics

The EMBA (Chinese) is a new programme designed from the ground up. This allows CB to adopt innovative teaching methodologies and to integrate new elements into the curriculum. Hot topics such as big data, mergers and acquisitions, social media, and customer experience are all there.

“These courses are quite cutting-edge for business schools in the Greater China region. It means our students are totally up to date with the latest innovations,” says Professor Dou.

Language issue

There has been strong demand for an internationalized EMBA programme from mainland executives for several years. However English has been an obstacle for many potential students who may think that leading overseas teaching faculty lack understanding of Chinese markets, culture, and language.

“Students want to learn advanced international business strategy - but need to apply it in the current mainland China market. For many this Putonghua-medium EMBA programme ticks all the boxes.”



“

We have a slogan: Master the wisdom of both Chinese and Western cultures – execute as a business education pioneer.

”

The human factor

According to Professor Dou there is also a human factor at work.

“Our cohorts are the more traditional Chinese type. They expect professors to socialize. Mainland students want international professors, but they also want people who they can go and have a drink with. This relationship building creates mutual appreciation, and understanding.”

“CB is a high profile, trusted international brand, with a proven track record. Students come to us because they want to learn from faculty with international business expertise, but also from people they can understand and empathize with.”

Creative mix

“We have a slogan for our programme *Master the wisdom of both Chinese and Western cultures – execute as a business education pioneer*. Hong Kong is famous as an international business centre where Chinese and Western cultures meet. We introduce advanced international business theories, but at the same time our teaching is based on an understanding of the mainland’s economic environment. I think it is our responsibility to integrate these two elements. That’s a creative mix.”

Diversity creates buzz

A typical cohort from mainland China is quite diverse, with students coming from many kinds of sectors and industries. Commerce, finance, real estate, medical, pharmaceutical, resource companies, and the communications industry are all represented. This brings more innovative, dynamic and diverse thinking into class. Student expectations are also more varied.

“Professional diversity means that brainstorming can yield great results. There’s always the potential for introducing inspiring ideas into

class. Then there’s geographical diversity. Even inside a single province in China, ways of doing business may vary. And we attract students from all over the country. Diversity creates buzz.”

Crowdsourcing

The EMBA curriculum is constantly innovating. A new course in big data, e-commerce and retailing is soon to be launched with course leader, **Professor Leon Zhao** of the [Department of Information Systems](#), an expert in this area.

“The course is planned so that the students can contribute their own expertise. The goal is to compile the final result into a book, a mini form of crowdsourcing and certainly an innovative way to write,” comments Professor Dou.

International dimension

The EMBA (Chinese) programme excels at teamwork building on outward bound training and hikes in Hong Kong country parks. But the programme also provides students with a rich international learning experience, giving its students exposure to overseas business, and featuring company visits and consultancy projects. Two international study trips are planned for the current cohort: to Tilburg in the Netherlands this year and to UC Berkeley next year.

WeChat

The EMBA programme teaches the latest innovations in social media, and it uses them too:

“We post news reports on WeChat, Facebook, etc. and use social media for communication and relationship building. This can be a mixed blessing as we find ourselves online 24 hours of the day, but as ever we are just trying to maximize student engagement,” says Professor Dou, opening his smartphone – and in the process doubtless reconnecting with some of his EMBA students. ■

Discovering your Inner Entrepreneur

Jane Peng is a College of Business EMBA student in her second semester. Jane lives in Beijing where she works as a vendor manager lead for a premier international online retailer. Here she reflects on her time with the EMBA, the consumer orientation of the younger generation, and the innovation in the air.

One are the days when you had to travel to Silicon Valley to discover the latest product trends. China is now leading in some areas.

“Take internet finance,” says College of Business EMBA student Jane Peng.

“I’ve shown this to people in London,” she says pulling out her smartphone and WeChat.

“If we eat together and split the bill we can pay in WeChat. If we want to transfer money we can go to WeChat. Buy flights, register for the lottery, pay the phone bill, all in WeChat. I can even open a shop in WeChat – it’s really amazing. Everything is in WeChat! People in the UK just can’t believe how fast this has happened in China, in WeChat.”

And constantly innovating online finance services are revolutionizing trade as well.

“Say, I am a seller and I have a buyer on Taobao, but I don’t have the money to get the goods. I can get a loan online for five days. It will be at a relatively high rate, and traditional banks wouldn’t look at you without close examination of your credit history. But Alipay will do the job for you – and fast.”

For “real” products and brands, Jane thinks countries like the US, Japan, and Israel are still leading. But in the internet China has the edge.

Red Packet goes viral

WeChat and its longer established rival, Alipay, have recently been using a variety of innovative marketing strategies to get closer to the customer. “WeChat has reinvented the red packet tradition. Last Chinese New Year they sent out one billion RMB virtual red packets. In order to participate, customers had to sign



in with their bank details. And WeChat added some five million new bank accounts in 48 hours," Jane explains.

"Traditionally the banking industry has been very conservative, but right now online is changing things radically. If you bank with Alipay, you will get a 10% discount on all goods purchased through Taobao. A lot of people are going for that."

Credit online

Jane has the advantage of discussing these sorts of issues with her fellow students on the EMBA – who represent most of the major sectors of China industry.

"Our banking classmates explained that traditional banks are not so interested in offering loans to customers with low levels of funds. But Alipay sees it differently and is interested in all customers, big or small. They are preparing an online credit card – you can buy anything with your virtual credit card in Taobao."

In order to compete with Alipay, other online providers are responding. Meanwhile Alipay has over 190 million registered users.

China Startup

"There's a feeling in the air that anything is possible. I have a friend who launched a startup ten years ago. Now his business is listed on the NASDAQ."

Another of Jane's friends has just quit his job: "He had been working in online retailing in the US for a few years. Then he got a young girlfriend from Beijing, and she had a lot of crazy ideas. Why not do some international trading online? How about starting a company? And so now

they have a small business producing traditional Chinese decorative knots, and watches with silk straps. With silk you can change the colour every day to match your clothes. This is what attracts young people – innovative, low tech fashion that makes you stand out from the crowd."

Jane is a keen observer of the latest trends in both China and the US. Born in Shanghai she moved overseas and studied in the US and Australia, eventually taking a diploma at the Gemological Institute of America. Qualified to work as a diamond appraiser, she worked as a fashion buyer in Los Angeles for a large jewellery company and a global fashion conglomerate, but found those roles limiting. In 2011 she seized the opportunity to move back to Shanghai serving a global luxury retailer, and since 2012 has been working in Beijing as a vendor manager lead for a premier international online retailer.

Why Hong Kong?

Why did she come to Hong Kong to study for her EMBA?

"CB is a top business school in Asia, and specializes in internet finance and marketing – two really hot areas. Also CB faculty offer me their international experience. A lot of the professors have backgrounds studying in the US, Europe or Japan."

She also wanted to reconnect with China. "I worked ten years in offline retailing mostly in the US. That's ten years when China was booming and becoming very competitive online. The EMBA is giving me the chance to get back up to speed and network with my Chinese classmates. That is a big plus for me."



Generation Z

Also she finds that managers face common problems across industries.

“Managers in large companies don’t know how to motivate the younger generation. Let me illustrate this. There is a new trend. Traditionally companies have a lucky draw at Chinese New year. Three or four years ago the prize would be a smartphone, or cash. That’s all over. Now you’ll get a card giving you permission to get off work for one day, or to be late to work 20 days of the year. What the younger generation crave is freedom from these rigid employment structures.”

Outward bound

Hong Kong universities are famous for delivering highly focused programmes, but is the EMBA primarily an academic experience?

“Well, tomorrow I’m off on an outward bound expedition to Sai Kung. Sunday we’re doing role play which culminates in a drama production. Later this year some of my classmates are off to trek in the Gobi Desert. That’s a very tough four days, you need to prepare hard and CityU students are participating for the first time this year. So there are a lot of networking and bonding activities. It’s a well-rounded educational experience – and I’m grateful for that.”

And as for the future, is Jane looking to the EMBA to progress her career?

“Everyone is talking about startup. Everyone has a dream to be the boss! In the US this kind of thinking was far away from me. Now in China it is getting closer. And the EMBA is giving me the courage to see myself as an entrepreneur.” ■

“

The EMBA is giving me the courage to see myself as an entrepreneur.

”



Networking – offline – to land that job

By Eric Collins

Ke Wang, PhD student and Research Assistant in the [Department of Accountancy](#), has recently taken up a position as Assistant Professor in the University of Alberta. Here he talks about his own experience in securing his first academic post, the value of a staged approach, and networking in the digital age.

A year of painstaking preparation, conferences, job fairs, interviews, and networking that's what it took. Then finally success! Ke Wang received a job offer for a tenure track position. This summer he joined the Department of Accounting, Operations, and Information Systems at the University of Alberta in Edmonton.

Why did Ke choose distant Alberta for his first academic post? "I would say we chose one another. From my side, Alberta is a leading business school, and it is a great place to work. From their side, after I travelled over for the initial conference, they were encouraging towards me. That made all the difference."

And his first impressions of Alberta?

"I was there in January. It was freezing and there was snow all over the ground. It made me feel nostalgic for Beijing," says Ke. "It was beautiful, but then just about anywhere in Canada is beautiful."

The path to academic placement will always be an individual one, but drawing on his own experience, Ke has some advice for PhDs looking for their first academic post.

Networking - start early

"Early exposure to your target market is vital," he says.

"Consider going to conferences one year before you intend to apply for a job. And when you get there, use the opportunity for networking. Put yourself around. Potential employers

won't know how good your communication skills are. Let them know that you can speak English!"

At the conference there are at least three types of interaction.

"First, when you present your paper a discussant will be assigned to give comments. There will also be a Q&A session for broader interaction. That relatively formal communication can lead into the next opportunity which is mingling during tea or coffee breaks. Use that to build connections and this can lead into the final, more extended opportunity, drinks or dinner outside the conference hotel."

"Some people don't see the value of this kind of socializing, and would rather go back to their hotel rooms, but the informal venue is often where the real business gets done," says Ke.

At his first conference in Alberta, Ke got two important bits of information: Firstly, that universities in Canada had vacancies for assistant professorships in accounting and secondly – more importantly – the impression that he would have a chance of a post if he applied.

"That gave me the impetus to go to the next stage."

Ke submitted a package to the *Miami Rookie Camp*, a job fair set up specifically for candidates and recruiters in the accountancy field. At this point he was still casting his net



“Informal settings - that’s often where the real business gets done.”

wide. In a blockbuster couple of days he did 14 preliminary interviews with universities from the US, Canada, Europe, Australia and Singapore.

“It was a lot of fun meeting so many people, both potential employers and my contemporaries. These are after all the people who are going to be my colleagues in future academic life,” says Ke.

The Job Market Paper

The Rookie Camp set Ke up with the opportunity to build on his connection with the University of Alberta. It was here that he was invited to make a campus visit, get to meet people and present a job market paper.

Ke suggests two strategies on topic selection:

“You can deal with a fundamental question in your field, and then address some outstanding issues. Or you can choose an eye-catching topic.”

Ke chose the latter path. The title of his paper was: *The debt market relevance of disclosure tone: Evidence from the pricing of credit default swaps.*

“For the field of accountancy there are two things that are relatively new here. First I am dealing with text rather than numbers. Second, it is about debt rather than equity markets. So hopefully taken together that adds up to an eye-catching topic.”

Ke would like to thank **Professor Jeong-bon Kim**, former Head of the Department of Accountancy, and co-advisor **Dr Liandong Zhang**, Associate Professor of the Department of Accountancy for their unstinting support and the positive research culture they have created. Ke found he was given lots of room to conduct independent research – and that he was encouraged to generate research topics that he found interesting.

As for the relevance of his experience, Ke concludes with the caveat:

“No one can repeat somebody else’s PhD life. That’s one thing that will never make a replication study!”

Still, he hopes that his approach will be of wider use, and wishes his colleagues every success in pursuing the career of their dreams. ■

River, Buddhism, Vitality

Tianyu Wang, [BBA Accountancy](#), joined the College of Business [Service Learning Programme](#) this summer. This is his reflective report on his time in Laos.

Volunteer work in Laos this summer gave me the opportunity to learn love and respect for religion and nature. This was the most unforgettable time of my university life.

The Mother Mekong

Rivers are central to the cultures of Asian countries – and their peoples show deep respect for them. For centuries the Chinese people have relied on the Yellow River; in India, people express their devout faith bathing in the Ganges; and Laos has its own Mother River – the Mekong. Although I come from a country whose culture stems from its rivers, I have never reached my own Mother River. But this summer, I learned the importance of a river for a country, a nation and a civilization. The Mekong is home to Vientiane the capital city of Laos and it is also a major

communication corridor. Thailand is just across the river. Phnom Penh, a night's sleeper bus away downstream. There are surprises at every turn; a night market stretching along the river bank, with tents spread out and used as a storefront, full of residents, visitors, and shoppers.

I take an opportunity to see the river at close hand. The sun is setting fast, but the Mekong still reflects the golden sunlight. Taking off my shoes, I walk into the warm river. Standing peacefully, I see the river bed under my feet. I give the river, the sun, and the beautiful view a big hug.

In Kai-wai Wong's film, *The Grandmaster*, a dialogue impressed me: Being, Knowing, Doing; three different levels of cognizing the world. Foolish men believe they are the god of the world after they get a little strength, but they hardly understand how weak they are and never achieve anything. So we should be modest and respect nature, the real power from god. Next, people should understand other people's emotions, thoughts and consciousness. We ought to respect the power of people. Lastly, the highest level is Doing. That means follow your heart and esteem yourself – then you will get sudden enlightenment in your own power. When I stand in the Mekong River, I realize the splendid power of nature. Noise from the night market



expresses the happiness of people. Amazing, it seems that I recognize my own power. I feel love and respect for the world. I even enjoy myself, once I find the peace and balance from my heart.

A beautiful promise

There is a very special monument in the centre of Vientiane city – the Patuxay Monument. "Is it the Arc De Triomphe in Paris?" – that was my first impression. While in the form of a western building construction, I found that it was designed to pay homage to the Laotian national culture and traditions. The frescoes on the wall are not stories that eulogize national heroes or winning affairs, but Buddhist mythology. Laotian



people are the holy followers of the Hinayana. People relieve and release their souls from purgatory through themselves. Buddhist pagoda and dragons, typical Hinayana symbols, decorate the structure. We notice a dragon, made of stone, standing along the wall. The vivid carving makes the body strong, roaring to the sky.

I think the monument shows that Laos is eager to grow into a strong country like those in the western world. However, she insists on her respect for her faith, and the wish that the Buddha can always bless and protect Laos. All in all, it is not just a reminder – but a beautiful promise connecting the Laotian people and their god.

Love, Hope and Vitality

After two weeks of construction work, we start child-caring. From the equipment and decorations we suppose that the kindergarten we service is not very old. There are approximately 20 Laotian children in the classroom, two to four years old. Our role is to make the children happy. Most of the day we play games with the kids and I love to watch them. One of the kids I took care of was a quiet, thin boy who was very shy when facing strangers, but I noticed that his smile was very sweet and cute. We were writing Laotian characters together. When he wrote well, I encouraged him and gave him a hug. When his handwriting was not so good, I still smiled and revised together with him. Therefore, he could write better and make progress. Gradually, I noticed that the smile on his small face became more frequent. He became braver looking at his classmates and he had the courage to talk to them. Hopefully the boy will be happier in the future.



How simple the things were that we did, but it made a difference!

One of the most challenging tasks is bathing the children every afternoon. We four make a small group to help the teachers. One of us pours water on the kids, two of us bathed them using shampoo and soap, and the last one cleaned the foam off by pouring water. After one week's work we have cooperated quite efficiently. My friends who had done volunteer work in Africa told me that basic sanitary conditions in many developing countries were worrying. I am surprised that daily washing is never neglected in this developing country, Laos.

Compared to Hong Kong and advanced cities in mainland China, the kindergarten is very simple. There is no cutting-edge technical equipment or well-educated teachers. Some children will have no chance to receive higher education. But they can be healthy and happy, which is the most important thing in life. We volunteers share our knowledge, skills and love with them, bringing more joy to them. We also understand the difficulty in feeding a child. We needed patience, patience and even more patience. Now I can

understand how hard it was for my parents and my kindergarten teachers. Because of their caring, I had an enjoyable childhood. Now I would like to share my love with more kids, just like my parents and my teachers did. I take a surprising photo of a child sleeping peacefully on the ground. After waking up he raises his head. I see his clean, white, innocent face. The warm sunshine makes him look amazingly cute.

To some extent Laos is like a kid who is waking up gradually. The independence of the country is very recent and the foundation is not as strong as in other countries in Southeast Asia. However, Laos is growing up fast. We enjoyed an international airport, convenient transportation, delicious food and a well-organized volunteer programme. Developing countries are a new wonder in the world. Although there is still a great gap compared to advanced countries, nothing can stop them fulfilling their potential. We should give Laos and Southeast Asian countries more chance to prove themselves. After all, whilst travelling there, everyone was moved by their vitality. ■

Dream High, Serve Low

Suet Ki Kwan, a graduate of [BBA China Business](#), spent this summer volunteering with the Students' Health and Welfare Centres Organization (SHAWCO) in Cape Town, South Africa.

"This is a once in a lifetime journey. It is a chance to discover my resilience with courage and determination. See you guys in a month!" When I posted this message on Facebook, I received lots of blessings from my friends for my South Africa journey. Here is why it was one of the best experiences of my life.

I gained a lot of insights through offering services at SHAWCO, a non profit organization, and attending sociology lectures in the University of Cape Town. I learned about South Africa's political and historical background, especially the old system of apartheid which denied black people the social welfare and careers that white people enjoyed. For example, most of the professors in the University of Cape Town were white people, while black or coloured people could only be recruited as low skilled workers due to

a lack of education, opportunities and social welfare systems. Such a situation inspired me to think about the new immigrants and ethnic minority groups in Hong Kong.

I have done voluntary service with ethnic minority youth in Hong Kong, and race discrimination is a serious problem and they have a similar situation to the black and coloured people in South Africa. In Hong Kong it is difficult for these young people to receive good career opportunities since most of them do not know Chinese. Also, many of them are discriminated against because of the colour of their skin and their disadvantaged backgrounds. I wanted to figure out how social enterprises and non-profit organizations like SHAWCO help coloured people – in order to generate some ideas to see whether they can be applied in Hong Kong.

Falling in love with innocent smiles

We were assigned to *Mothers Unite*, a non-profit organization focusing on the well-being of children. When we met the kids from underprivileged areas, we all fell in love with their innocent smiles. It made me think about life in Hong Kong, where many of the kids are spoiled and immersed in a materialistic environment. Some of them treat iPads as toys and gaze at the screen all day. In underdeveloped areas, with a lack of



sophisticated facilities and networking systems, children enjoy a simple life, playing with their friends or some second hand toys donated from various resources. In Hong Kong, by contrast, some of the kids suffer great pressure from their parents. They attend tutorials and interest classes from the age of three. And although they receive the best education and get whatever they want, do they really feel happy? I would say life is happy when it is simple.

After discussion with the director of *Mothers Unite*, I was assigned to be one of the project coordinators for three on-going projects; first-aid emergency training, the establishment of a computer lab, and a cycling project. As a group of business students, we found these tasks challenging. I also felt a bit stressed since we had limited knowledge and lacked a sense of local social issues. Lack of resources and awareness from the local society were



also barriers. But by using my personal network I managed to develop a framework for an offline application for a first aid training programme.

And it wasn't all work. During the first weekend, I remember hiking up Table Mountain. I was feeling dizzy and could not continue to walk to the peak. I was glad that my group mates gave me such understanding and support.

A football cheered up the entire school

The most memorable thing was the interaction with the kids. I remember standing in the yard and all these little children rushed towards me. Just a second later I was surrounded by many layers of kids with their arms stretched out – trying to get a hug. I bought them a football and that cheered up the entire school. A bunch of boys and girls were kicking the ball around the classrooms. Some of them were just following around cheerfully without actually touching the ball at all. It was awesome to see how a little deed could bring them so much happiness.

Coming from a poor family in an underdeveloped region, you might expect the kids to be at least a little selfish about the food they had, but they were not like that. Sometimes I would bring biscuits and saw whoever was holding the snack running around, sharing the food with his or her friends. Sometimes you would see them sitting on the ground, making bracelets out of ropes. They would call your name while running to you, passing and presenting the bracelet to your as a gift. I treasured every moment with the kids as I got a sense of happiness from their pure smiles.

Another unforgettable moment was the scene when we were leaving after the farewell party. The kids kept extending their hands hoping for a handshake and we tried to reach everyone. Nevertheless, it was not possible since the whole area was packed with over 80 kids. By the time we left the place, many kids chased us, waiving their hands at the same time. At that moment, all of us felt so touched and really wanted to stay for a longer time.

No never-ending feast

With advice from the director, we continued to walk away. The kids kept waiving their hands and said "bye bye". We just told each other that we should not look back. We had to leave and should not give them any false hope that we would go back. Some of us burst into tears but I did not. I really liked the kids so much and wanted to bring them more happiness and positive impact. However, this was the reality. I understood there was no never-ending feast. I realized that sometimes even when you so desire to make changes, you really cannot do much to help.

I know that I cannot really affect the system. Other than wish that someday the situation will improve, for now at Mothers Unite I could only try to bring as much happiness as I could to the locals by putting my effort into seeking donations and sponsorship for them and by reaching out to more and more local and multinational companies. It is great to hear that these projects are in progress.

Last but not least, to all the people from SHAWCO, directors from Mothers Unite and my group mates who have positively influenced my life and helped the organizations I have had the privilege to work with and for, thank you so very much. Thanks to CityU for again giving me the opportunity to serve and support as a volunteer to make a difference. SHAWCO exists to empower exceptional youth to make the world a better place. I will never doubt that a small group of thoughtful, committed citizens can change the world! I will keep the faith to *Dream High, Serve Low*. ■



INVESTMENT BANKERS LOWER COSTS OF MERGERS AND ACQUISITIONS

With mergers and acquisition activity reaching volumes not seen since the pre-crash heyday of 2007, successful strategies are coming under ever closer scrutiny. **Dr Qianqian Huang's** recent investigation into "The Role of Investment Banker Directors in Mergers and Acquisitions" in the *Journal of Financial Economics* is therefore timely. Working alongside **Feng Jiang**, of the State University of New York, **Erik Lie** of University of Iowa, and **Ke Yang**, of Lehigh University, Qianqian examines how directors with investment banking experience affect firms' acquisition behavior. They find that firms with investment bankers on the board have a higher probability of making acquisitions. Furthermore, acquirers with investment banker directors experience higher announcement returns, pay lower takeover premiums and advisory fees, and exhibit superior long-run performance. Overall, results suggest that it is worthwhile having directors with investment banking experience on board. They help firms make better acquisitions, both by identifying suitable targets and reducing the cost of the deals.



Read more:



Huang, Qianqian, Feng Jiang, Erik Lie, and Ke Yang. "The Role of Investment Banker Directors in M&A." *Journal of Financial Economics* 112.2 (2014): 269-286. Print.

JOINT VENTURES: A WIN-WIN SITUATION?

Around one third of global corporate revenues comes directly from some form of nonoperated business, be it partnership, alliance or joint venture, and this trend is forecast to continue. Joint ventures are big business and both partners hope to gain. An historical example is the now-defunct joint venture between Toyota and General Motors (GM) established back in 1985. Toyota intended to gain insights into the auto market in the United States through GM, while GM took the alliance as a chance to learn Toyota's lean manufacturing practices. So, when competitors form alliances, who gains most?

In a recent article "Asymmetric learning capabilities and stock market returns" published at the *Academy of Management Journal* in 2015, **Professor Haibin Yang** of the [Departments of Management](#) and [Marketing](#) along with his coauthors analyzed over 600 R&D alliances in the U.S. computing and biopharmaceutical industries from the period 1984–2003. They find that a firm's relative capability to learn partner-specific know-how holds the key to understanding the learning race phenomenon and its performance consequences. A firm with higher specific learning capability relative to its partner's will be rewarded with superior stock performance. They also find that equity alliance governance and market similarity between partners moderate this relationship in opposite directions. Equity alliance governance motivates firms to suppress competitive learning and thus reduces the positive impact of the specific learning capability gap on abnormal stock returns, while market similarity between partners aggravates the learning race and strengthens the positive impact of the specific learning capability gap.

Read more:



Yang, Haibin, Yanfeng Zheng, and Akbar Zaheer. "Asymmetric Learning Capabilities and Stock Market Returns." *Academy of Management Journal* 58.2(2015): 356-374. Print.

“BUY 3, GET 1 FREE”: OPTIMAL PRICING AND INVENTORY CONTROL POLICY

Retail outlets have long been trying to entice us with these sorts of quantity discounts to increase sales. But in the past decade or so, dynamic pricing has become increasingly accessible as a useful tool for retailers and manufacturers to better match supply with demand and increase profit. From the perspective of the retailer, the quantity-sales mode is an additional tool to dynamic pricing. **Dr Ye Lu** and **Professor Youhua Chen** of the [Department of Management Sciences](#), along with colleagues **Miao Song** of the University of Hong Kong, and **Xiaoming Yan** of the Dongguan University of Technology show that substantial profit improvement can be gained as a result of shifting from uniform pricing to quantity-based pricing, especially when the product has a low unit ordering cost and high utility.

In “Optimal Pricing and Inventory Control Policy with Quantity-Based Price Differentiation” published in *Operations Research*, 2014, they propose an inventory-pricing model in which the optimal simultaneous decisions on inventory control and selling/pricing are based on a simple structure. One takeaway of managerial relevance: quantity-based price differentiation can produce a large profit improvement only if the firm shifts from the unit-sales mode to dynamic pricing. This benefit is significant when the ordering, holding, and shortage costs are relatively small, or when the marginal rate of utility is relatively large with respect to the purchased quantity. An equally important technical takeaway is the concept of the virtual value function, which has its roots in the auction and mechanism design literature and is applicable to inventory-pricing problems.

Read more:



Lu, Ye, Youhua (Frank) Chen, Miao Song, and Xiaoming Yan.

“Optimal Pricing and Inventory Control Policy with Quantity-Based Price Differentiation.”

Operations Research 62.3 (2014): 512-523. *INFORMS PubOnline*. Web. 26 Jun. 2015.

<<http://pubsonline.informs.org/doi/abs/10.1287/opre.2013.1240>>.



On the move

More College of Business departments are enjoying the excellent facilities in the multiple award winning AC3 Building! This summer it has been the turn of the [Department of Management](#) who moved to the 11th floor in June, and the [Department of Marketing](#) who since July are to be found on the 10th floor. To date, AC3 has received a total of six awards for its green philosophy and aesthetic design, and three CB departments as well as the CB office are now located in this stunning building.

CB is also pleased to announce changes and additions to its **Management Team**:

Professor Wayne Yu, of the

[Department of Accountancy](#) and [Department of Economics and Finance](#), has been serving as Assistant Dean ([Executive Education](#)) since March 2015, and is tasked with supporting CB's performance in our international programmes and further establishing executive education training with the business community.

We have new leadership for our [PhD Programme](#). **Dr Ye Lu**, of the [Department of Management Sciences](#), was appointed Director of the PhD Programme in March, and will work towards the further growth of the programme, including recruitment, student mentoring, course coordination, and placement and mentoring services.

Professor William Wan, of the Department of Management, has taken up the position of Associate Dean ([Research & Faculty](#)) from July, and is building on the excellent work put in place by **Professor Kelvin Yau**, as we take our research effort to the next level.

Lastly, the College has established a new Assistant Deanship ([Career Services](#)) to steer the College career services, and **Dr Ron Kwok**, Associate Professor of the [Department of Information Systems](#), has taken up this position from August to provide leadership in our career services development.

Dean of Saïd Business School, University of Oxford visits the College



Professor Houmin Yan with Professor Peter Tufano, Peter Moores Dean and Professor of Finance at Saïd Business School, University of Oxford

The College of Business (CB) played host to **Professor Peter Tufano**, Peter Moores Dean and Professor of Finance at Saïd Business School, University of Oxford in March 2015. Professor Tufano met with **Professor Way Kuo**, President of CityU, **Professor Houmin Yan**, Dean of the College, **Professor Kevin Chiang**, Director of [MBA](#) programme, and **Dr Mary Pang**, Associate Dean ([Internationalization](#)) of the College. Professor Yan introduced the College to Professor Tufano as they toured various facilities starting at the CB office, and moving on to the MBA lounge, and executive classrooms.

Going places! The Accountancy internship programme

[Department of Accountancy](#) students are on the move. In Hong Kong, Shanghai and Singapore, 164 internship places were available this year, that's over two thirds of the BBA Accountancy cohort. And our AC students are out to make the most of their opportunities:

"The internship was an eye-opener," said **Cindy Chau**, a PricewaterhouseCoopers Hong Kong intern. "I learned about operations like minmetal trading, electronic equipment sales, etc. Although I didn't have much practical knowledge at the beginning, I learned to be more professional and adaptive to changing environments."

An *AC Internship: Potential to Professional* event was set up in March to showcase interns' work and their takeaways in the form of videos, storybooks, and posters.



From left: AC Instructor Miss Yvonne Chan, Best Interns Cindy Wong, Cindy Chau, Renix Luk, and Assistant Professor Dr Raymond Wong

"We aim to inspire our students, to give them insight into real business practice, so they can prepare themselves further for the challenges ahead," said **Professor Cheong-heon Yi**, Acting Head of the Department of Accountancy.

Three students were selected as Best Interns based on evaluations conducted by both employers and the

department:
 - **Cindy Chau Ka-yee**
 - **Renix Luk Wai-yin**
 - **Cindy Wong Man-ching**

For further details of the programme:



Citibank Internship Programme 2014-15

The [Citibank internship programme](#) has once again proved a great success with seven students working with the bank in 2014-15. The programme offered our students an understanding of Citi culture, and provided training and career opportunities to develop careers in consumer banking.

Our students are feeling the benefits: "I have learned so much from this internship. But one thing really stands out – the importance of attitude," said **Anna Chung On-na**, [BBA Marketing](#).

"The key to doing things better isn't necessarily the method, it's belief. If you have confidence in your ability, good results will flow naturally."

The experience has also been great for

Anna's communication skills.

"We had to deal with a huge variety of customers, with a wide range of issues. Altogether it's been a steep but very rewarding learning curve!"



CB recognises research and teaching excellence

Each year the College of Business recognises a number of faculty for their achievements in research and teaching. This year the College was delighted to recognise the work of our outstanding faculty:

College Research Excellence Award

The College strives to produce innovative and relevant applied research that enriches the understanding and practice of business. The recipient of the College Research

Excellence Award 2015 is **Dr Ye Lu**, Assistant Professor in the [Department of Management Sciences](#):



“Dr Ye LU has made a significant contribution to research with a substantial number of top-tier journal papers published in the past three years. Despite such a short time frame, his works have already demonstrated a significant impact on their respective fields.”

College Teaching Excellence Award

The College is committed to fostering a culture of teaching excellence as well as a caring learning environment. The recipient of the College Teaching Excellence Award 2015 is **Dr Andy Kwan**, Instructor I in the [Department of Management](#):



“Dr Kwan continuously seeks professional development to improve himself and transfer newly

acquired skills and knowledge into his teaching. He actively supports the development of students through well thought-out activities both inside and outside of the classroom, and has made solid contributions to the building of the discovery-enriched curriculum, drawing resources from the University’s Teaching Development Grant.”

Faculty Development Awards (MBA/EMBA)

The Faculty Development Award scheme has been established to recognize dedicated staff members who promote innovations to enhance the quality of teaching and learning for the [MBA/EMBA](#) programmes. The following colleagues were recognised this year:

Professor Kai Lim, [Department of Information Systems](#) – in recognition of his excellent performance, especially his contagious enthusiasm and commitment in motivating



and inspiring students to learn, as well as his caring and supportive approach in encouraging students in the co-discovery of knowledge.

Professor Maris Martinsons,

Department of Management – in recognition of his excellent performance, in particular his continuous efforts in



maintaining high standards in teaching. His contributions to developing relevant business cases were also commended.

Professor Chenting Su, [Department of Marketing](#) – in

recognition of his excellent performance in the newly launched [EMBA \(Chinese\)](#) programme



and efforts in developing new course materials and teaching approaches geared to motivate and enhance learning of students who are mainly senior executives from the mainland.

A special note of thanks goes to our benefactors for their generous donations: **Jenny Chan** for supporting the Research and Teaching Excellence Awards, and the [EMBA Association](#) for supporting the Faculty Development Award.

True grit! The Gobi Challenge

Eight CityU [EMBA](#) programme students teamed up to compete in *The Tenth Xuanzang Road Business School Gobi Challenge* 第十屆玄奘之路商學院戈壁挑戰賽 between 22nd – 25th May, and came away with the Shackleton Prize for the highest completion rate (100%). This year the Challenge took place along the Guazhou section of the Silk Road, Dunhuang City, Gansu Province in western China, a major stop on the historical Silk Road linking China with India and Europe.

Around 2,000 EMBA students from 43 global top business schools took part in the four-day Challenge. The test of physical fitness saw participants negotiating on foot over 100 kilometers of uninhabited Gobi desert. With the route at over 1,000 meters in altitude, and with over 20°C difference between day and night temperatures, qualities of physical strength, perseverance, teamwork, cooperation, courage and endurance were required.

The Challenge originated as an international cultural event, *Pilgrimage Journey of Xuanzang*, launched in 2006 by China Central Television (CCTV), retracing the footsteps of a Chinese Buddhist monk of the Tang Dynasty on his journey to India. Along the way participants had the opportunity to discover Xuanzang's values and his impact on human history. His journey also points to the commercial wisdom and pioneering spirit which emerged in the Tang Dynasty 1,300 years ago.

Students' testimonials:

"The landscape was so beautiful. You could not regret having been in



Team members representing the College in the Challenge:

Limin Bai, Yudian Chen, Yan Guan, Wen Wang, Jigang Yang and Ruijun Yang of 2014 Cohort; and Yi Wang and Tianhua Wu of 2015 Cohort

that place. The challenge enriched my life and enlightened my soul. The experience broadened my horizon."
– Yudian Chen

"It was a tough yet unforgettable adventure. The reward was invaluable. I had never tried sleeping in a tent for three nights. I was never fond of walking, but I left my footprints (112km) on one of the world's greatest deserts. I felt lucky for the support of my family, friends, peers, and professors. The medal and glory belong to you all!"
– Yi Wang

At the finishing point, **Professor Wenyu Dou**, EMBA (Chinese) Programme Director and Associate Dean ([Graduate Programmes](#)) of the College, hailed the team's achievement: "By endurance we conquered. Congratulations to all team members, you have created history! The challenge also proved that you all have infinite potentiality and ability in overcoming all difficulties and limits. It was also a valuable experience for you

to gain some insights on how senior executives apply the challenges and difficulties encountered on the journey to the challenges of the fast-evolving business situation."

This was the first year that the CB team had competed in the gruelling race. As new players, all team members underwent a series of training sessions in order to thoroughly prepare them for the journey.

The Shackleton Prize is named after **Sir Ernest Shackleton** (1874-1922), an Anglo-Irish Antarctic explorer, best known for leading the "Endurance" expedition of 1914-16. It was set up to award those teams with the highest completion percentage in terms of team members.

For more information on the Challenge:



EMBA hosts Beijing programme

Students on the [Executive Master of Business Administration](#) programme have benefited from a multifaceted four-day [summer training programme](#) in Beijing. **Dean Houmin Yan** led the students through a series of site visits, guest forums, lectures, and an alumni dinner held at the beginning of August. The group visited 58.com Inc, one of the largest classified advertising websites in China. After the visit, **Mr Rongrong Li**, Vice Chairman of China Center for International Economic Exchange, together with senior management at 58.com, shared their experience at an EMBA CEO Forum.



The event was crowned by an alumni dinner held at the Ritz-Carlton Hotel, Beijing. Over 60 alumni and EMBA students attended the dinner.

Alumni enjoy Shanghai cocktail party

The College hosted a [cocktail](#) event prior to the CityU Alumni Reunion @ Shanghai banquet at the Le Royal Méridien Shanghai on 17th July. **Dean Houmin Yan**, opened the cocktail sharing latest developments at the College. **Professor Way Kuo**, President

of CityU, and other CityU faculty joined Professor Yan in greeting the CB alumni. Over 50 guests attended the cocktail, taking the chance to reconnect with each other and reminisce over their time at CityU.

Following the cocktail, a reunion banquet themed *Exploring Shanghai – Present and Future* was organized by the CityU Alumni Relations Office. During the dinner, President Kuo shared developments at the University and mentioned how proud he was to see the achievements of our alumni. **Mr Vincent Lo**, Founder of Shanghai Xintiandi and Chairman of Shui On Group, was invited as a guest speaker at the dinner to share his experience in leading a conglomerate business in Shanghai, and CityU alumni had a pleasant evening enjoying the guest talks, the inauguration of CityU Shanghai Alumni Chapter.



Comings

We welcome our new faculty who joined us between December 2014 and August 2015!



Professor Wayne Yu, Assistant Dean (Executive Education), College of Business; and Professor of the Department of Accountancy and Department of Economics and Finance

Wayne received his PhD degree from the University of Alberta. Before joining CityU, he served as Professor of Finance at the Hong Kong Polytechnic University. His research interests include capital markets, corporate finance, accounting, and financial derivatives.



Dr Jinyue Li, Assistant Professor, Department of Economics and Finance

Jinyue received her PhD in Economics and MA in Economics from the University of Minnesota. Before her graduate study, she obtained her BS in Mathematics and Economics from Arizona State University. Her main research interests include international trade, urban economics, and economic geography.



Dr Wen Chen, Assistant Professor, Department of Accountancy

Wen received her PhD in Accounting from University of Minnesota. Before her doctoral study, she obtained her BS in both Human Resource Management and Statistics from Peking University. She also worked as an auditor in KPMG Beijing Office. Her main research interests focus on capital and debt markets, market frictions, financial reporting and disclosure, and accounting regulation.



Dr Nilanjan Roy, Assistant Professor, Department of Economics and Finance

Nilanjan received his BSc (Honours) from Presidency College, University of Calcutta, India, MS (QE) from Indian Statistical Institute, India, his MS and PhD in Social Science from California Institute of Technology U.S.A. Prior to joining the City University of Hong Kong, he was an Assistant Professor at the Singapore University of Technology and Design. His main research/teaching interests include Microeconomics, Game Theory, Experimental Economics, and Experimental Finance. His current research focuses on effect of cheap talk in public good games; consumption smoothing in experimental asset markets and cooperation in dynamic networks. His work has been published in the *Journal of Economic Behavior and Organization* and *Journal of Finance*.



Dr Dongkyu Chang, Assistant Professor, Department of Economics and Finance

Dongkyu completed his PhD study in Economics at Yale University. Before his doctoral study, he obtained his BA in Economics and BS in Mathematics from Seoul National University. His research is concerned with microeconomic theory, game theory, and industrial organization.



Dr Zachary Leung Ngai-hang, Assistant Professor, Department of Management Sciences

Zachary received his PhD in operations research from the Operations Research Center at MIT, and his MSc and BSc in applied mathematics from the National University of Singapore. Prior to joining the faculty at the Department of Management Sciences, Zachary spent a year at the Tepper School of Business at Carnegie Mellon University as a post-doctoral fellow. His research interests include supply chain management, revenue management, and healthcare operations.



Dr Yongjin Kim, Assistant Professor, Department of Economics and Finance

Yongjin received his PhD in Finance from Carnegie Mellon University. Before his doctoral study, he obtained his MS in Management Engineering and BS in Physics from Korea Advanced Institute of Science and Technology. His research interests are in macro-asset pricing and its implications on corporate finance.

Goings

We extend all best wishes for future happiness, professional fulfilment and prosperity to faculty who left us during the same period.



Professor YV Hui, of the [Department of Management Sciences](#) has retired from CityU. Prof Hui joined the MS Department back in 1992, and was the first Associate Dean of the College of Business from 1996 until 2002. He also served as Associate Dean of the School of Graduate Studies from 2002 until his retirement. Prof Hui will continue his professional work and is taking up the Vice President (Academic and Research) position at the Hang Seng Management College.



Dr Syed Akhtar,
Associate Professor,
[Department of Management](#)



Dr Tom Vinaimont,
Assistant Professor,
[Department of Economics and Finance](#)



Dr John Edward Nowland,
Assistant Professor,
[Department of Accountancy](#)



Dr Kwangho Kim,
Assistant Professor,
[Department of Management](#)



Dr Takuma Kunieda,
Assistant Professor,
[Department of Economics and Finance](#)



Dr Frank Yu Kuo,
Assistant Professor,
[Department of Management](#)



Dr Chia-hui Lu,
Assistant Professor,
[Department of Economics and Finance](#)



Dr Wenxia Guo,
Assistant Professor,
[Department of Marketing](#)

In memoriam

The College of Business community is deeply saddened at the loss of three colleagues earlier this year.



Professor Kwok Leung, former Chair Professor, Department of Management

Professor Kwok Leung, a highly esteemed scholar and teacher in management and psychology, passed away in May 2015. Professor Leung joined the Department of Management in 1999 and served as the Head of department from 2000 – 2011. Professor Leung was well known for his brilliant research on international business, cross-cultural psychology, justice and conflict, and social axioms, and was honored with many international and national academic awards. He was also the first scholar from the Greater China region elected as Fellow of the Academy of International Business in recognition of his contribution to international business studies. He was a man of vision and action with a brilliant mind, insatiable intellectual curiosity, inimitable quick wit, and spirit of kindness and generosity. As friends, colleagues and students we were fortunate to have journeyed with Professor Leung. He will always remain in the hearts of his many colleagues and students at the College.



Dr Margaret Poon, Associate Professor, Department of Accountancy

Dr Margaret Poon, a dear colleague and respected teacher, passed away in May 2015. Margaret joined the Department of Accountancy in 1987. Over the years the College, the department and students have benefited greatly from her dedicated service, academic guidance and generous mentoring. An innovative teacher in accounting education, Margaret was a key faculty member in promoting student-centred learning in the department, and was a winner of the CityU Teaching Excellence Award in 1995. Margaret had battled serious illness over the past two years with great fortitude and courage. We miss this long-time colleague and fond memories of her will always be with us.



Dr Min Zhu, Assistant Professor, Department of Accountancy

Dr Min Zhu, a dear colleague and a promising young scholar, passed away in June 2015, after battling serious illness for several months with great fortitude and courage. Min joined the University in December 2013 and was considered by all who worked with her as an inspiring and highly respected colleague. She was a highly valued member of the Department of Accountancy and the College community as a whole. We will miss her dedicated service and contributions to the department and College. Min lived a short but beautiful life and is fondly remembered by her many colleagues and friends at the College.



Share your news with classmates and CB alumni! Fill us in on the highlights of your year – family, career, accomplishments, and interests. We will publish your updates in the “Class Notes” section of CITY BUSINESS Magazine and on the CB Alumni website.

Simply submit your information (name, major, grad year) and your news to us on:

Don't forget – you can attach photos with your write-up.



1980s – 1990s

Hing-keung Leung, BBA Quantitative Analysis for Business'92,



who was among the first batch of BAQAB students, misses his time at CityU, teachers who taught him and classmates who grew with him. He is committed to lifelong learning. Even though he has received nine degrees/ certificates and worked as the Academic Dean of the Research

Institute for Christian Education, his faith in continuous learning keeps him working towards his tenth degree! He sends his wishes to all his junior schoolmates, encouraging them to work hard and move towards their goals!

Wah-sing Chan, MA Quantitative Analysis for Business'94,

is currently the director of Caique International Limited and adjunct professor of several universities in Asia. He has a number of qualifications including postgraduate diploma, bachelors degree, masters degree and PhD, covering fields of Economics, Finance & Accounting, Marketing & International Trade, Financial Risk Management, Quantitative Analysis and Electrical Engineering.



Johnny Leung, MA International Business Management'98



and MA Professional Accounting and Information Systems'02, has been working for the “Star” Ferry Company, Limited since 1994, currently as General Manager. He completed HKICPA's Qualification Programme and then passed CIMA's examinations to become a

Chartered Management Accountant and Global Chartered Management Accountant. He was elected as HKICS Fellow last year and is currently a professor mentor to four A-Team members of the Open University of Hong Kong.

2000s

Steve Yu, BBA Marketing'04, joined Toastmasters after



graduation, an international organization with a focus on communication and leadership. At Toastmasters Hong Kong, he has served as Club President (2011/2012), Area Governor (2012/2013), and Division Governor (2013/2014). He has also served

as MC in major financial planning events, held in HKCEC to audiences of over 1,500.

Clare Wong, MSc Finance'08, has worked at JPMC for more than 4 years as Business Systems Analyst Lead in Treasury

Services, Corporate Investment Bank. She is actively involved in various small to medium sized system enhancement projects using Agile Project Methodology, and is also a committee lead in one of the biggest business resources groups in the firm.



2010s

May Chen, MBA'13, is currently working in AIA international



Limited as a Wealth Management and Protection Manager.



Lyon Cheng, MSc Operations & Supply Chain Management '13, has completed his work as interpreter and field administrator at a power plant project in Davao, the Philippines after a 16-month period. He is now a representative for overseas businesses employed in the same private enterprise, assisting the General Manager with liaison, negotiation, planning and contracting.

Andrea Law, BBA Global Business Systems Management '13, is the Director and Co-founder of a tech start-up based in Hong Kong. She has previously worked as a graduate trainee and Technical Consultant at Oracle Hong Kong. Andrea is enjoying her tech start-up and wishes to build a better world for the next generation.



Francis Lee, BBA China Business '13, is the Planning Director of CACI (Beijing) Culture Communication Co., Ltd. and is continuing his study at the Peking University International Relationship School as a year 2 postgraduate student. Francis received initial funding from Peking University and started CACI with his fellow CityU classmates.



Wilson Cheung, DBA '14, recently moved from Shanghai back to Hong Kong joining an international insurance company responsible for Greater China marketing. As part of his social responsibility, Wilson helps prepare a Risk Management and Business Continuity Manual for the SME catering industry organized by the Institute of Dining Art and the VTC, and funded by Trade and Industry Department.



Yili Guan, MSc Operations and Supply Chain Management '14, is working as a purchaser in the food industry.



Chris Jung, MA Global Business Management '14, works as an International Sales and Marketing Manager with a company based in Germany dealing with medical and cosmetic brands in international business development.



Yue-kwan Nam, BBA Quantitative Finance and Risk Management '14, is working for Standard Chartered Bank's commercial clients segment and participating in voluntary activities.



Rachel Xu, MBA '14, is CRM Executive with Asia Merchandising (HK) Ltd., maintaining good relationships with the company's VIPs, looking after the social media platform, and training staff. Rachel is enjoying her work with this fast growing company, which provides her with many opportunities to share her ideas and talents.



Clare Wang, MSc Electronic Business and Knowledge Management '15, completed her exchange at the Copenhagen Business School in Denmark, and went back to Shanghai to start her career with a multinational consulting company.



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