

PHBS
Peking University HSBC Business School
University Town, Nanshan District
Shenzhen, 518055 China

SPRING 2024

PHBS MAGAZINE

Peking University
HSBC Business School

LEARN GLOBALLY WITH CHINA'S INSIGHTS FROM OUR CROSS-BORDER STUDY PROGRAM

The PHBS UK Campus:

- Offering master's programs in management and finance
- Two-year cross-border programs
- An opportunity to develop networks between the UK and China, particularly in one of the most innovative cities in the world - Shenzhen



phbs2004



pekinguniversityhsbc



Peking University HSBC Business School



- P06 PHBS Receives EQUIS Accreditation, Now Holding the "Triple Crown"
- P12 Innovations in China's GBA: PHBS-CJBS Global Pitch Competition
- P58 A New Approach to Strategic Innovation: A Quick Review

北大汇丰

Ninth Issue



C O N T E N T S

2

NEWS BRIEFINGS

A variety of events at PHBS and awards earned by PHBSers

6

SPOTLIGHTS

Major achievements and undertakings, including world's renowned accreditations, global rankings, international conferences, and global competitions

30

CAMPUS

Diverse events on campus, including the homecoming day and international finance program at the PHBS UK campus

46

FEATURES

Stories about the many inspiring faculty and students whose talent defines our school

54

RESEARCH

A selection of recent research findings in noteworthy papers

58

VIEW

Scholars' insights into strategic innovation and the impact of population aging

PHBS MAGAZINE

PHBS Magazine is published by Peking University HSBC Business School

Director of Editorial Board

Hai Wen

Editorial Board

Feng Yan
Shen Yan
Mao Na
Donya Mehrabi
Young Joon Park

Executive Editor

C. James Yen

Managing Editor

Annie Jin

Contributing Editor

Donya Mehrabi
Jonathan Pearson

Design and photography

Xie Feng
Pixelwave
Ying Qi

PHBS Magazine is published biannually

WE WANT TO HEAR FROM YOU!

Facebook: phbs2004
Instagram: pekinguniversityhsbc
Linkedin:
Peking University HSBC Business School

NEWS BRIEFINGS



1 Professor Wang Pengfei Elected SAET Fellow

PHBS Dean, Professor Wang Pengfei, has been elected a Fellow of the Society for the Advancement of Economic Theory (SAET), highlighting him as the first Chinese macroeconomist to receive the honor. Established in 1990, SAET is committed to promoting theoretical economics and facilitating communication among researchers in economics, mathematics, game theory, and other fields that potentially contribute to economic theory. Currently, there are 422 Fellows of SAET—all outstanding economists with significant achievements, including 35 Nobel Prize winners. As one of the most influential Chinese macroeconomists, Professor Wang Pengfei has published over 40 papers in top-tier international journals such as *American Economic Review*, *Econometrica*, the *Journal of Finance*, the *Journal of Financial Economics*, the *Journal of Monetary Economics*, the *Journal of Economic Theory*, and *American Economic Journal: Macroeconomics*.

2 Economist Fan Gang Gives a Seminar on PHBS UK Campus

PHBS UK Campus held a seminar titled "China's Cyclical Downturn and Long-Term Growth" given by renowned economist Fan Gang, which attracted over 50 students and scholars from China and the United Kingdom to exchange insights on China's economic development. By presenting an overview of China's macroeconomic performance from 1987 to 2022, Professor Fan highlighted that the country's

sustained long-term high growth was transitioning to a recent period of lower growth, sparking international debates on whether it represented a short-term cyclical downturn or the onset of a prolonged decline. His discussion delved into the decline in China's long-term potential growth rate, short-term factors contributing to economic fluctuations, and a comparative analysis with Japan's economic situation in the early 1990s. As part of the PHBS UK seminar series, this seminar provided participants with valuable insights into China's economic fluctuations and long-term growth from a developmental economics perspective.



Professor Fan Gang gives a lecture on China's cyclical downturn and long-term growth



3 PHBS Faculty and Students Attend the 23rd China Economics Annual Conference

From December 1 to 3, the 23rd China Economics Annual Conference was held at Zhongnan University of Economics and Law. Over 500 scholars from universities and research institutes nationwide converged to focus on academic frontiers and analyze trending economic issues. As Chairman of the China Economics Annual Conference, Professor Wang Pengfei delivered the opening speech and presided over the Hai Wen Lecture. PHBS doctoral and master students presented their research findings during the session moderated by PHBS Assistant Professor Jia Dun.

NEWS BRIEFINGS



Group photo of the attendees

4 PHBS Faculty's Papers Awarded Multiple International Prizes

Last year, PHBS faculty and students collectively published 105 academic papers, 85 of which were published in first-class academic journals domestically and internationally. Several of these publications also won international prizes, demonstrating the academic excellence and vitality of our young faculty. PHBS Assistant Professor Kevin Nanakdewa's paper "Varieties of Interdependence and the Emergence of the Modern West: Toward the Globalizing of Psychology," was awarded the 2023 Wegner Theoretical Innovation Prize from the Society for Personality and Social Psychology. Assistant Professor Jia Dun's paper, "Dynamic Price Competition, Learning-By-Doing, and Strategic Buyers," was nominated by Concurrences for the 2023 Anti-trust Writing Award Best Academic Articles in Economics. Moreover, Assistant Professor Tang Yinuo's paper, "Emerging Market Firms' Growth Capability and Choice of Capital Market," was awarded the Best Paper on Emerging Market by the Academy of International Business U.S. Northeast Chapter 2023 Annual Conference.

5 PHBS Faculty Members Attend the 2023 Asia Trilateral Seminar

On October 5 and 6, the 2023 Asia Trilateral Seminar was held at Korea University Business School (KUBS) with the theme "New Challenges in Business Environments." Initiated in 2017, the Asia Trilateral Seminar has been organized annually by three leading business schools: Korea University Business School (KUBS), Hitotsubashi University Business School (HUB), and Peking University HSBC Business School (PHBS).

This year's seminar featured three keynote addresses, open discussions, and a Q&A session, covering a wide range of topics, including industrial policies, business environments, and foreign direct investment. PHBS Dean Wang Pengfei delivered the opening remarks and PHBS Professor Li Qiang gave a keynote speech on "New Challenges in Business Environments in East Asia." Scholars and researchers from China, Korea, and Japan converged to discuss topics related to challenges facing the business ecosystem and analyze critical issues in the current business trends.

7 International Students on Ice-Breaking Tour

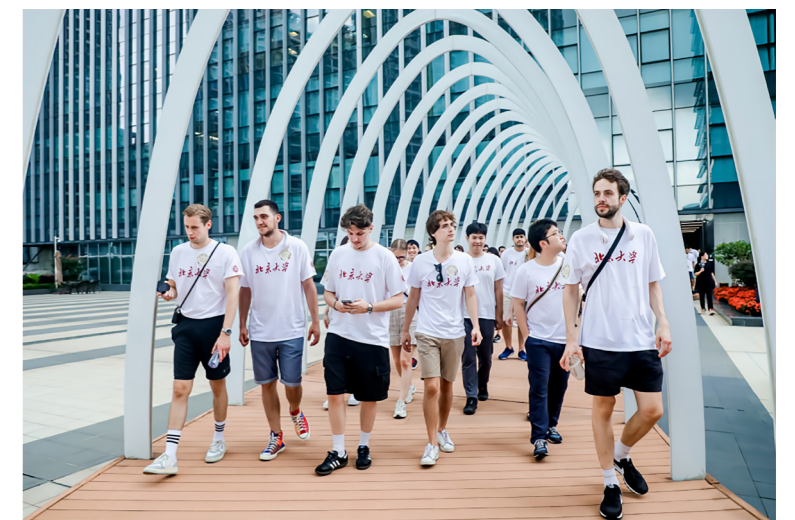
Around 40 PHBS international students at Shenzhen University Town in Nanshan District had an ice-breaking tour to acquaint themselves with the city. The activity, organized by the Taoyuan Service Center for Expats (TYSCE), aimed to facilitate newcomers' integration into life in Shenzhen and expand their social networks. During the tour, the students

visited the International Talent Communication Center (ITCC) in Xili and were introduced to YYSCE's international volunteer program. They also boarded a sightseeing bus to explore Nanshan, gaining first-hand insights into the district's achievements in science and technology, ecological conservation, and economic development, developing a deeper appreciation for Shenzhen's cultural and economic vibrancy.

International students visit the International Talent Communication Center (ITCC) in Xili, Nanshan District on Saturday. Courtesy of Taoyuan Service Center for Expats

6 Exploring Career Opportunities: ISU's Corporate Visit to Citi Hong Kong

On October 18, 2023, the PHBS International Student Union (PHBS ISU) organized an event with Citi Hong Kong's Headquarters, where they engaged in a fruitful networking event. The event took place at Citi Tower and brought together 40 students from various backgrounds, including domestic students from PKU Commercial Banking Association and international students from the Chinese University of Hong Kong, Shenzhen. During a 2-hour session, attendees had the unique opportunity to discuss career perspectives and the recruiting process with Citi's representatives, which not only broadened their understanding of diverse career paths and the banking industry but also expanded their professional network across the APAC region. This event marks PHBS's inaugural international student-led cross-city corporate visit initiated by ISU. In the future, PHBS ISU will continue to arrange more company visits, helping students gain valuable insights into the diverse career paths, work environment, and corporate culture within leading companies while clarifying their career development goals.



PHBS Receives EQUIS Accreditation, Now Holding the "Triple Crown"

By Annie Jin



In October, 2023, Peking University HSBC Business School (PHBS) has been granted EQUIS accreditation for a period of five years. Though a young institution, PHBS has set its sights on global recognition and is now among only a selective few of the best business schools worldwide to hold the "Triple Crown" —EQUIS, AACSB, and AMBA, granted by the three most influential business school accreditation organizations.



The Association to Advance Collegiate Schools of Business (the United States)



The Association of MBAs (the United Kingdom)



EFMD Quality Improvement System (Belgium)



PHBS graduates stand out in job market

“PHBS has set its sights on global recognition and is now among only a selective few of the best business schools worldwide to hold the "Triple Crown" —EQUIS, AACSB, and AMBA, granted by the three most influential business school accreditation organizations.”



“Noting the internationalization actions, the team spoke highly of four areas: faculty recruitment, student cultivation, international collaboration, and the development of the UK campus.”

Established in 1997, EQUIS serves as a rigorous benchmark for business schools to assess, accredit, and improve their quality in governance, programs, students, faculty, research, internationalization, and among others. Its thorough and strict peer-review process signals a school's overall quality, viability, and self-improvement commitment to students, employers, and academic partners worldwide.

The EQUIS peer review team conducted a thorough online evaluation in late June. The group comprises current and former deans of internationally renowned business schools and a corporate representative with extensive prac-

tical experience.

During the peer review, the PHBS dean introduced the school's achievements and shared the strategic roadmap for its future development. Representatives of faculty, staff, students, alumni, and strategic partners from the industry also participated in the peer review interviews.

The school's rapid development and extensive achievements impressed the peer review team. Among many quality indicators, the team recognized the high-quality students and faculty, a strong commitment to internationalization, well-designed programs, strict admission

There are
215 EQUIS-accredited schools across over
40 countries globally, and only around
1% of business schools worldwide are triple-accredited.

and selection for students, and, particularly, excellent career placement. According to the annual employment report, the initial employment rate of PHBS graduates from MA and MBA programs reached 97.7%, with a majority of graduates securing positions in leading finance and consulting companies.

Noting the internationalization actions, the team spoke highly of four areas: faculty recruitment, student cultivation, international collaboration, and the development of the UK campus, the first foreign campus opened by

a Chinese business school. Through alumni and corporate connections, PHBS also develops strong ties with industries and educates students with real-world cases. Therefore, the peer review team pointed out the school has strengths in its corporate, policy, and professional networks in China, especially in the Greater Bay Area.

University accreditation is an important quality indicator for prospective students and employers. As of last October, there are 215 EQUIS-accredited schools across over 40 countries, and only around 1% of business schools worldwide are triple-accredited. Located in Shenzhen, PHBS was founded in 2004 with the vision to advance Peking University's commitment to global economics, finance, and management research, and develop as a center of international excellence in business education. Holding multiple accreditations speaks volumes about the school's standards and practices, and it will continue empowering students with the knowledge and skills necessary to succeed globally by providing exceptional faculty, impactful research, and the highest standards.



In September 2011, EFMD conferred EPAS accreditation to PHBS Master of Economics Program.

• 2011



In August 2018, PHBS earned the accreditation from AACSB International.

• 2018



In March 2019, PHBS received AMBA accreditation.

• 2019

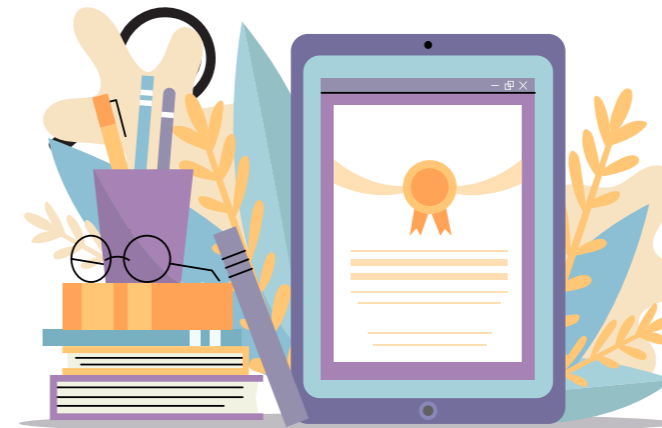


In October 2023, PHBS received EQUIS accreditation.

• 2023

QS Global Executive MBA Rankings 2023: PHBS Ranked 29th Globally and 8th in Asia-Pacific

2023



“As a member of the larger community of Peking University, PHBS continues to earn its reputation as an institution of academic excellence defined through research efforts, academic publication, and case studies, bringing innovative Chinese/Asian insights into the global challenges facing today's managers and leaders.”

By Annie Jin

In the recent QS Global EMBA Rankings 2023, Peking University HSBC Business School's (PHBS) part-time MBA program was ranked 29th globally, 8th in Asia-Pacific, and 1st in China. The year's rankings highlighted the best programs from across the world by evaluating over 227 programs of nearly 200 business schools from more than 49 countries and regions. Each ranking is based on the five key metrics of career outcomes, diversity, employer reputation, executive profile, and thought leadership.

In thought leadership, PHBS scored an exceptionally high 97.6 out of 100 points, far exceeding the global average of 47.6 and the Asia-Pacific average of 55.8, ranking 8th in the world and 4th in the Asia-Pacific region. Taken from the annual QS Academic Reputation survey, this indicator evaluates the perceptions of global academics on which institutions are demonstrating academic excellence.

As a member of the larger community of Peking University, PHBS continues to earn its reputation as an institution of academic excellence as defined through research efforts, academic publications, and case studies, bringing innovative Chi-

nese/Asian insights into the global challenges facing today's managers and leaders. The school offers diverse programs designed for practitioners in industry-leading enterprises, who seek to upgrade management skills and lead confidently in the C-suite. The two-year MBA program can provide them with insights into various aspects of the ever-changing business world and thought-provoking ideas for enterprise development.

Located in Shenzhen, PHBS was founded in 2004 with the vision to build on Peking University's inspirational traditions and develop as a center of international excellence in business education. In addition to the QS EMBA Rankings, PHBS was accredited by AACSB, AMBA, and EQUIS, the three most influential business school accreditation organizations. Furthermore, two programs, the Master of Finance and the Master of Management, were placed in the global top 20 for their subject area in the QS Business Master's Rankings 2023.

In addition to PHBS, related programs of many key universities in the Chinese mainland also participated in the 2023 QS Global EMBA Ranking: For instance, China Europe International Business School secured the 42nd position, the Renmin University of China was ranked 44th, and the Shanghai University of Finance and Economics was placed 95th. Globally, HEC Paris emerged as the world's top executive MBA provider, while the MIT Sloan School of Management was ranked as the best-performing business school from North America.

“The year's rankings highlighted the best programs from across the world by evaluating over 227 programs of nearly 200 business schools from more than 49 countries and regions.”



Innovations in China's GBA: PHBS-CJBS Global Pitch Competition for Startups Announces 2023 Winners

Co-organized by Peking University HSBC Business School (PHBS) and Cambridge Judge Business School (CJBS), the Grand Final of the 2023 PHBS-CJBS Global Pitch Competition was held on December 13, 2023. The event attracted thousands of investors, startups, and audiences, both on-site and online. Initiated in 2020, this year's Global Pitch Competition featured almost 200 high-quality startups worldwide participate in its fourth edition, pitching their innovations in diverse fields such as new energy and green economy, artificial intelligence, biotech and medtech, smart manufacturing, microchips and semiconductors, and new materials.

In the opening ceremony, Professor Hai Wen highlighted the three primary missions of the PHBS Center for Innovation and Entrepreneurship (PHBS-CIE): popularizing innovation and entrepreneurship education, building an innovation and entrepreneurship platform, and incubating early-stage enterprises. He emphasized that innovation and entrepreneurship were the fundamental driving forces of economic development and would become even more significant in this era. He hoped that the PHBS-CIE could better serve university faculty, students, and individuals devoted to innovation and entrepreneurship, effectively incubate more excellent enterprises, and truly promote high-quality development of the Chinese economy.

“The year's Global Pitch Competition featured almost 200 high-quality startups worldwide participate in its fourth edition, pitching their innovations in diverse fields



Drawing on more than 30 years of experience in innovation and management at the University of Cambridge, Professor Christoph H. Loch underscored the critical role of startups in major innovations and the value of the business schools' innovation and entrepreneurship centers to local economic development. He stated that startups could help university researchers bring their ideas into society, which is one of the primary reasons why the PHBS-CJBS Global Pitch Competition was first initiated by CJBS and PHBS.

A series of pitching rounds throughout 2023 culminated in ten domestic and international finalists, each presenting their business plan at the grand final to the judging panel comprised

of esteemed scholars, investors, and entrepreneurs. Six finalists were announced as third place, three as second place, and the winning prize went to E3A Healthcare. E3A Healthcare is a startup established in 2019 at the National University of Singapore for its first-in-class medical devices and health management solutions tailored to newborns and women's healthcare.

The event celebrated the spirit of innovation and entrepreneurship and launched two new institutes established and sponsored by PHBS: the Qianhia Insitute of China-Britain (QICB) International Innovation Space and the PHBS-CIE Innovation Engine. The former, located at the Qianhai International Talent Hub, aims to provide comprehensive support to startups. In



“ Innovation and entrepreneurship were the fundamental driving forces of economic development and would become even more significant in this era.



Hai Wen, vice chairman of the Peking University Council and PHBS founding dean, delivers the opening remarks.

Christoph Loch, former dean of CJBS and professor of management at PHBS, gives a speech.

Chen Wei, chairman of Peking University HSBC Entrepreneurship Venture Capital Advisory Committee and president of Oriental Fortune, gives a speech titled "Entrepreneurship Needs Innovation."

Wu Shichun, the founding partner of Meihua Venture Capital, delivers a keynote speech titled "The Entrepreneurial Tips in the Cold Winter."

Liu Xiangning (Shenzhen Angel FOF Management CO., LTD) is appointed as a member of the PHBS Advisory Committee on Start-up and Venture Capital and delivers a keynote speech on "Angel Investment, Innovation, and Entrepreneurship."

In addition to providing high-quality workplaces and industries, the QICB International Innovation Space will expand its service scope and provide professional mentorship, strategic formulation, supply chain, human resources, and other comprehensive strategic counseling services for the enterprises settled in it. Through the deep cooperation between Peking University and Cambridge University, the QICB International Innovation Space seeks to help more startups to gain global recognition.

The latter, the Innovation Engine, run by PHBS Center for Innovation and Entrepreneurship, will collaborate with professional mentors to provide guidance and incubation for science and engineering students and scholars with entrepreneurial ideas while creating acceleration camps and growth camps for startup teams to foster growth and innovation. Through ignition, incubation, and investment, it will establish a passionate community of innovative entrepreneurs with a solid vision and mission, redefine products, reshape the industrial landscape, create a new future, and jointly lead technological progress and social innovation.

Following the competition and inauguration, the Greater Bay Area Entrepreneurship and Venture Capital Forum featured keynote speeches from renowned entrepreneurs and investors, addressing topics such as innovation trends, entrepreneurship, venture capital, and the cultivation of innovative leaders of the Greater Bay Area.

“Professor Christoph H. Loch underscored the critical role of startups in major innovations and the value of the business schools' innovation and entrepreneurship centers to local economic development.



PHBS leaders and guests present awards to winning teams

In the roundtable discussion session, Zhang Kun, Xu Hui, Qiao Yuting, and Song Chang engaged in a discussion on topics such as "How investors can empower entrepreneurs," "Preferences for selecting investment projects," and "Future directions for venture capital."

The event concluded with the launch ceremony of the 2024 PHBS-CJBS Global Pitch Competition. Professor Zhang Kun provided a brief overview of the forthcoming competition. The 2024 season will focus on early technology teams before the B round. The first roadshow will be held in January 2024, and the semi-finals and finals will be held in October.

Supported by the Shenzhen Municipal Development and Reform Commission, the Science and Technology Innovation Committee, and many well-known venture capital institutions, incubators, scientific research institutes, and industry leaders, the PHBS-CJBS Global Pitch Competition has continued to grow over the past four years, showcasing the schools' global influence in the field of venture capital and passion for nurturing startup communities.

The opening of the forum



The afternoon job fair



PHBS Hosts 2023 Corporate Cooperation Forum and Inaugural Job Fair

In response to the increased contemporary changing circumstances and market uncertainties in navigating the job market and preparing for future careers, Peking University HSBC Business School (PHBS) hosted the 2023 corporate cooperation forum on October 18. The event featured 66 experts from 45 enterprises from different fields, including those in the funds, securities, banking, and technology sectors. Moreover, faculty representatives, staff, and MA and MBA students attended the event to explore the collaboration between academia and enterprises regarding student cultivation and employers' demand.

Professor Ren Ting, PHBS vice dean, hoped that such events could enhance the understanding of the specific enterprises' needs for talent development, explore practical strategies for strengthening school-enterprise cooperation, and help the school meet the high-level requirements of student cultivation in the modern era.

Professor Hai Wen, vice chairman of the Peking University Council and PHBS founding dean, introduced the school's development and breakthroughs in student cultivation, academic research, international exchanges, and



Professor Hai gives the opening remarks



Professor Ren Ting presides over the forum

“The event featured 66 experts from 45 enterprises from different fields, including those in the funds, securities, banking, and technology sectors.”

social influence. He identified three primary objectives for the forum: first, improving enterprises' understanding of the school's educational philosophy and development plans; second, aligning academic programs with the market demand; and third, continuously enhance cooperation with businesses in areas such as academic research, talent cultivation, and social responsibility.

During the awards presentation ceremony, school leaders presented awards to representatives of enterprises that won the "Best Employer," "Model Internship Base," "Outstanding Employer," and "Employer with Potential" awards. The forum also hosted in-depth discussions on school-enterprise cooperation, demands for talent cultivation, and challenges faced by enterprises during the recruitment process.

In the afternoon, PHBS held its inaugural job fair, attracting hundreds of domestic and international students, which provided them an opportunity to explore various career options. The students got the unique chance to gather information on the current job market and interact with employer representatives who introduced available posi-



Open discussions with faculty and students



"I met many representatives of first- and second-level financial companies on site. The interactions and exchanges with major companies provided me with valuable career insights and development opportunities. I was deeply touched by the experiences of alumni and business leaders and submitted my resume to these leading companies. This experience has strengthened my confidence in career planning. I hope that in the future, I can apply what I have learned to practical work and continue to train myself on the job. I would like to extend my thanks to our school for providing this valuable opportunity."

Du Anye, Full-time MBA



tions, job responsibilities, and career development paths. Moreover, leading employers highly praised PHBS students who attended the job fair. Impressed by the diversity and internationalization of PHBS students, the head of the GF Securities recruitment team mentioned, "Today, many international students submitted their resumes. We interviewed students from Italy, Uzbekistan, and other countries. Their understanding of the domestic capital market matches that of Chinese students. Furthermore, PHBS students possess extensive internship experience and are well-prepared for their careers. The diversity among PHBS applicants aligns with our company's talent recruitment needs." The head of the recruitment team at Goyi Asset also commended PHBS students for their rich internship experience and "clear and forward-looking" career goals. He mentioned, "We have previously hired several PHBS graduates who consistently demonstrated their abilities and responsibilities within the company." The head of the Oriental Securities recruitment team stated, "With solid professional skills and open-minded outlooks, PHBS students are fully prepared for their future careers and have clear goals for job hunting." In the future, PHBS Career Center will continue to explore school-enterprise cooperation channels, enhance the employment guidance and career counseling system, and establish an effective communication platform for both employers and students to empower students with the knowledge and skills necessary to succeed in this challenging era.

Source: PHBS Career Center



"This fair invited many well-known employers in the internet sector, and the positions covered multiple tracks and functions. Through face-to-face communications with representatives from the industry, I explored some career choices that I had little knowledge about in the past and also developed a deeper understanding of diverse career tracks. I'd like to express my gratitude to the school for this valuable opportunity, and I will continue to work hard and strive towards my career goals!"

Liu Dongchen, Master of Finance



"The career event organized by PHBS was a space for interaction between companies and students. For me, as an international student in Management major with prior professional experience in my home country, Uzbekistan, it was interesting to see the diverse opportunities available in China. The event allowed me to observe the hiring process, requirements, and expectations of industry leaders and helped me shape the direction for future improvement. I am persuaded that this event contributed to a better understanding of the market trends in China and was beneficial for both local and international students."

Karimova Oydin, Master of Management





PHBS Hosts 2023 Workshop on Digital Economy and Platform Strategy

The Peking University HSBC Business School (PHBS) recently held a landmark workshop in management on December 3, 2023, focusing on the burgeoning field of digital economy and platform strategy. As part of the 20th anniversary celebrations of PHBS, this event provided a vibrant platform for more than 80 renowned experts and scholars from domestic and international institutions such as the University of Cambridge, the University of Toronto, the University of Florida, Virginia Tech, Singapore Management University, Tsinghua University, Shanghai Jiao Tong University, Peking University, Fudan University, Cheung Kong Graduate School of Business,

Chinese University of Hong Kong (Shenzhen), Southern University of Science and Technology, Shenzhen University and Harbin Institute of Technology (Shenzhen).

The opening remarks were delivered by Professor Wang Pengfei, chair professor of economics and dean of PHBS, who set the tone for the day's discussions. He recalled the faculty's recent publications in top-tier journals, including *Management Science*, *Marketing Science*, *Information Systems Research*, *Manufacturing and Service Operations Management*, the *Journal of International Business Studies*, the *Journal of Operations Management*, *Production and Operations Management*, and so on. He pointed out



Professor Wang Pengfei delivers the opening remarks

that the workshop would represent a significant moment in the school's history, celebrating its 20 years of excellence and innovation in business education.

In the evolving landscape of digital platforms, researchers need to adapt and embrace the changes, identifying novel ideas and opportunities in a dynamic and competitive environment. Christoph H. Loch, professor of management at PHBS and former dean of the Cambridge Judge Business School, delivered a keynote speech titled "Platforms as an Opportunity to do High Impact Research." He discussed the evolving landscape of platform research, which evolved from internal architectural platforms (which enabled modularity, mass customization, and flexibility) to two-sided market platforms, which connected many previous unconnected suppliers and consumers. There is a thriving research area in platform business models and market design, which involves multiple disciplines (including Strategy, Marketing, Operations, Economics, and Computer Science), and which has had an impact on identifying new markets that have increased access to goods and services for new communities. A lot of this research now revolves around optimizing existing (perceived as stable) market structures. While this approach to research is a stable source of publications, it risks falling behind when the empirical phenomenon (platforms) is subject to strongly changing dynamics, which it currently indeed seems to be: the growing influence of emotional buying and the need for platforms to adapt to new competitive elements, including embracing B2B customers and other markets with very different customer and supplier characteristics. Research on such rapid competitive change requires capturing the entrepreneurial opportunities within evolving ecosystems. The keynote was concluded by stressing the importance for researchers to



Professor Christoph H. Loch gives a keynote speech



Professor Shi Weilei gives a keynote speech



Professor Wei Wei delivers a keynote speech



Dou Yifan gives a keynote speech

identify and comprehend innovative ideas emerging from companies' experimental activities.

Shi Weilei, professor of strategy at Cheeitor Graduate School of Business, associate editor of *Journal of Management Study*, delivered the keynote speech "Digitalization Strategy -Implication and Future Research Direction". Professor Shi first discussed the consequences of digital strategies, emphasizing the need to bridge the gap between academic research and real-world effectiveness. Secondly, he elaborated on the antecedents of digital strategies, categorizing variables into CEO-level, company-level, and external environmental factors. Finally, he explored the implementation process of digital strategies, urging researchers to investigate different companies' approaches and the mechanisms driving the strategic process. Professor Shi concluded by highlighting the multi-dimensional nature of cultural values and the importance of considering environmental boundary conditions.

Wei Wei, professor of management, vice chairman of PHBS Council, and director of Center for Innovation & Entrepreneurship at PHBS, delivered the keynote speech "How Business ExpertGPT Help Management Research." He pointed out that while large models excel in accurately understanding various modalities of text, they also face challenges such as illusions, lack of real-time data traceability, inability to handle long texts, and uncontrollable output results. To address these issues, Professor Wei introduced a new system ExpertGPT, which combines deep large models, knowledge graphs, and small models to enhance the system's usability and effectiveness through technical architecture. Professor Wei outlined some application scenarios of the system, including intelligent information retrieval, specialized database generation, smart question answering, and intelligent table generation.



Cheng Yue and Qiu Liangfei

Dou Yifan, professor of Information Management and Business Intelligence at Fudan University, associate editor of *Information Systems Research*, delivered the keynote speech "Leveraging Network Effects for Connected Products: Strategies and Implications for the Value Chain." He discussed monetizing the emerging connectivity among physical products in a networked world. He and his co-authors explored two strategies: giving products away for free to expand the network and engineering network effects among products. Analytical models reveal that both strategies complement each other in a value chain setting. The change in the marginal production cost might result in a "connectivity revolution" in product innovation, which is in sharp contrast to traditional value chain research.

Cheng Yue, assistant professor at PHBS, introduced her paper "Navigating Live-Streaming Commerce: A Tale of Two Strategies-Price Discounts and Short Videos." Professor Cheng presented groundbreaking research on the live-streaming broadcasting industry, shedding light on the effectiveness of two strategies: price discounts during live events and posting short videos before these events. More importantly, the findings suggest that combining both strategies may not yield optimal results, as the positive effects of price discounts can be attenuated by the posting of short videos. The study provided implications to the challenges faced by live-streaming commerce, where attracting and maintaining viewer engagement is vital



Zhang Shuo and Zachary Zhong

and valuable insights for streamers and brands navigating the competitive landscape of the live streaming industry. Qiu Liangfei, PricewaterhouseCoopers ISOM Professor at the University of Florida, senior editor of *Production and Operations Management*, and associate editor of *MIS Quarterly*, discussed this paper. He pointed out that the paper discovered an intriguing inverse relationship between price discounts and real engagement, shedding light on the impactful role of short videos in enhancing viewer engagement.

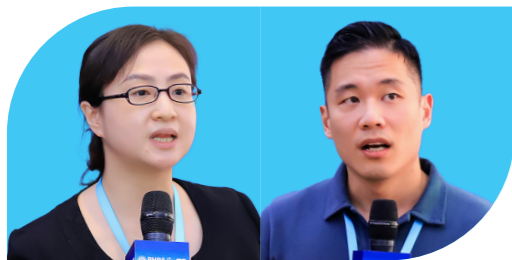
Zhang Shuo, associate professor of Marketing at Shanghai Jiao Tong University, introduced the collaborative paper "The Effect of Intellectual Protection Policies on Online Retail Platforms." The motivation behind this investigation stemmed from the escalating issue of IP violations, particularly the rampant use of identical product images by different sellers. The research discovered that contrary to common intuition, strict IP protection policies may actually reduce the sales revenue of legitimate copyright holders. This implies that the formulation of online IP protection policies is a complex process, and the most stringent IP protection measures may have unexpected consequences. The study aims to advocate for platforms and regulatory bodies to strike a better balance between protecting intellectual property and maintaining a healthy online marketplace. Zachary Zhong, assistant professor of Marketing at the University of Toronto, pointed out that this research provides valuable



Ehsan Bolandifar and Zhao Wenhui

insights for platform managers and policymakers in the digital commerce domain seeking effective solutions for protecting intellectual property (IP). He drew parallels between the findings and those in behavioral economics, indicating potential advertising effects behind the mechanisms, and discussed the importance of online "shelf space". He further discussed sellers' responses to intellectual property policies and subsequent strategies.

Ehsan Bolandifar, associate professor at PHBS, introduced the paper "Unmasked: The Paradox of Budget Transparency in Entrepreneurial Ventures." He discussed the impact of budget disclosure in crowdfunding campaigns focusing on Kickstarter and highlighted that despite Kickstarter's push for transparency, disclosing budget details negatively affects funding outcomes for entrepreneurial ventures. The study investigates various aspects, including the characteristics of entrepreneurs willing to disclose budgets, the influence of disclosure on customer behavior, and the effect on operational performance. The findings have suggested that budget disclosure leads to reduced funding, especially for low-risk and less innovative projects. However, it positively affected operational performance by reducing project delivery delays. Zhao Wenhui, professor of Operations Management at Shanghai Jiao Tong University discussed the paper. He explored two potential reasons for the difference in risk perception between new and existing ventures: Firstly, the equilibrium might not



Xie Zhenzhe and Chen Liang



Tang Chuang and Ni Jian



Zhang Kun and Xu Mingtao

have been reached yet, requiring more time for supporters to understand the risk profile fully. Secondly, competition dynamics and disclosure policy variations contributed to this difference. He proposed exploring whether higher-quality disclosure leads to larger financing amounts.

Xie Zhenzhen, associate professor at Tsinghua University, introduced the paper "Rifts on Digital Platform: The Heterogeneous Impact of Revenue Sharing Policies Change on Global Gaming Market Hierarchies," which explored the role of platform governance, design, and orchestration in influencing the performance of platform complements. By probing the impact of changes in the revenue-sharing mechanism on the revenue of games and the relationship between platform owners, game developers, and users, the study suggested that the shift in the revenue-sharing mechanism has led to income disparity among platform complements, favoring games developed and published by elite publishers. Chen Liang, senior editor of *Management and Organization Review*, associate professor of Strategy & Entrepreneurship at Singapore Management University, discussed this paper. He mentioned that the study touched on platform governance theories and competition management, emphasizing the need for further exploration of underlying mechanisms and the ongoing dynamics between platform owners and complementors due to revenue-sharing policy change.

Tang Chuang, assistant professor at PHBS,

introduced the paper "Fighting for My Idols: The Value of Gamified Voting System." He explored the impact of a new feature, a gamified voting system, on user engagement in an online social media platform. Collaborating with industry partners, the study found that the system increases user activity, especially for active users and fans of celebrities. Additionally, the system showed spillover effects, influencing user behavior outside the community where the feature is not implemented. The study suggested that gamified elements could effectively enhance user engagement and provides insights for personalized interventions to cater to different user segments. Ni Jian, professor of Marketing at Virginia Tech highlighted the significance of the study's main findings, emphasizing the increase in user activity among active and devoted users, and suggested exploring the incentive structure for users.

Zhang Kun, assistant professor at PHBS, introduced the paper "Business ExpertGPT for Management Research: A Conceptual Framework and an Explorative Study." He discussed the integration of AI, specifically Expert GPT, into management research processes. The study emphasized how AI, through tasks like data analysis, literature review, and problem identification, can complement and enhance human capabilities. Professor Zhang explored the potential for AI to reshape the traditional research methodology, focusing on how AI assistance can contribute to generating novel

ideas, refining research questions, and optimizing the overall research process. He also acknowledged challenges such as AI ethics and emphasizes the need for researchers to adapt to new capabilities offered by AI. Xu Mingtao, assistant professor at Tsinghua University, raised questions about the collaboration between humans and AI, trust in AI, AI's impact on competitive advantages, and the role of AI in shaping confidence in research. He emphasized the need for researchers to adapt to AI capabilities while acknowledging challenges like AI ethics.

On behalf of other members of the organizing committee (Tang YINUO, Zhou Deming, Li Qiang, and Ehsan Bolandifar), Professor Zeng Xiaohua expressed her gratitude to the workshop speakers, participants, and volunteers for their contributions. She highlighted the diversity of topics discussed and the valuable interactions among attendees and mentioned plans for future workshops with continued support from the academic community.

This workshop highlighted PHBS's tradition of promoting high-level academic and practical discussions, emphasized the school's commitment to make significant contributions to the field of management, and provided unique insights into the current trends and future directions in this field.

By Sun Bo

Edited by Zeng Xiaohua and Annie Jin

Source: PHBS PR and Media Office



Zeng Xiaohua, associate professor at PHBS, delivers the closing remarks



Li Qiang, associate professor at PHBS, presides over this workshop

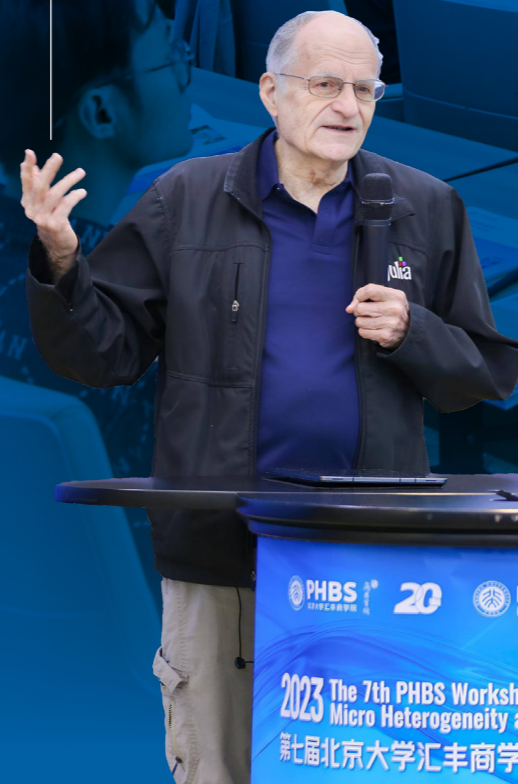
PHBS Hosts the 7th International Workshop in Macroeconomics and Finance

The 7th PHBS International Workshop in Macroeconomics and Finance was held at Peking University HSBC Business School (PHBS) on December 12 to 13, 2023. More than 80 young scholars in the field of macroeconomics and finance attended the event to exchange academic achievements and keep track of the latest breakthroughs with renowned scholars from Cornell University, University of Southern California, Queen Mary University of London, National Center for Scientific Research, Seoul National University, University of Hong Kong, Hong Kong University of Science and Technology, Chinese University of Hong Kong, Peking University, Tsinghua University other top international and domestic universities, industry experts from the Federal Reserve Bank of San Francisco.

Professor Thomas Sargent delivered opening remarks. By recalling his journey in economic research, he emphasized the importance of integrating economic theories with practice, and how these theories can be used to explain and predict economic trends. Subsequently, Professor Sargent shifted his focus to the current international economic situation, probing the main challenges faced by the global economy, including slowing growth, trade tensions, and financial market instability. He highlighted how technological advancements and globalization have transformed economic structures and how policymakers need to adapt to these changes to promote growth and stability.

By analyzing the role of monetary and fiscal policies in the current economic context, he pointed out that given the low-interest-rate environment and rising government debt levels, traditional macroeconomic policy tools might need reevaluation and adjustment. Therefore, he suggested that policymakers should pay more attention to structural reforms to enhance productivity and economic potential.

Thomas Sargent, Nobel laureate in Economics and honorary director of Sargent Institute of Quantitative Economy and Finance (SIQEF) at PHBS



Finally, Professor Sargent underscored the importance of international cooperation in addressing global economic issues. He called for joint efforts by governments and international institutions to tackle the challenges posed by globalization, ensuring inclusive and sustainable economic growth. He concluded by encouraging participants to work together towards building a more prosperous and stable global economy.

Professor Song Zheng offered insights into his collaborative paper titled "The Mandarin Model of Growth." The study delves into the macroeconomic factors contributing to China's rapid economic growth and deceleration, with a central focus on the bureaucratic model. This model examines the interactions between local governments and the private sector and their influence on the Chinese economy. Researchers utilized a dynamic general equilibrium model to study local government decisions related to infrastructure investments and borrowing. They designed

Professor Song Zheng from Chinese University of Hong Kong



Professor Alireza
Tahbaz-Salehi
from Northwestern
University



counterfactual experiments to explore the impact of removing career incentives and restricting local government borrowing on Gross Domestic Product (GDP). Their findings indicated that before 2008, local officials were highly motivated by career incentives, leading them to actively invest in infrastructure to boost their performance records. However, over time, this motivation waned, likely due to growing local government debt, increasing sensitivity to debt risks, or central government policies aimed at curbing excessive borrowing. This research offers valuable insights into the complex relationship between Chinese local government behavior and economic growth.

Professor Alireza Tahbaz-Salehi provided insights into the collaborative paper, "The Macroeconomics of Supply Chain Disruptions," co-authored with Daron Acemoglu. Their research delves into the macroeconomic implications of intricate supply chains in modern economies, with a particular focus on the repercussions of supply chain interruptions on productivity and the broader economy. They introduced a macroeconomic model with three critical components: firm-specific relationships, non-competitive frameworks, and essential extensive margin adjustments. Their findings highlighted that supply chain disruptions could have consequences not only for individual companies but also for the entire economy due to spillover effects. By address-



Li Wenhao and Piotr Zoch

ing the vulnerability and efficiency of supply chains and how these factors manifest at the macroeconomic level, their research underscores a delicate balance between economic efficiency and fragility, where supply chains are more active and resilient during periods of high productivity but may disintegrate during productivity slowdowns, leading to a cascade of relationship failures. He concluded by emphasizing the importance of comprehending and mitigating supply chain disruptions and underscoring the significance of considering the macroeconomic repercussions when designing and managing supply chains.

Assistant Professor Li Wenhao from the University of Southern California introduced his paper titled "Firm Quality Dynamics and the Slippery Slope of Credit Intervention." The article employs a dynamic two-sector model to analyze the long-term effects of credit intervention on the dynamics of firm quality. In a laissez-faire economy, crises have a cleansing effect as low-quality firms face stricter financial constraints during these times, resulting in lower Tobin's q compared to high-quality firms. Therefore, the end of an economic crisis is accompanied by an increase in the proportion of high-quality firms. Professor Li pointed out that credit intervention, if properly designed, could enhance societal welfare compared to laissez-faire conditions. However, credit intervention suppresses the cleans-



Ji Yan and Jasmine Xiao

ing effect and distorts the distribution of firm quality by inducing excessive investment by low-quality firms during both crisis and normal periods. This kind of intervention could exhibit a "slippery slope" effect. Current intervention skews the distribution of firm quality downward, causing the economy to enter the next crisis with lower overall productivity, requiring larger-scale intervention. Larger-scale intervention leads to more severe distortions, necessitating even larger-scale intervention in the future. Assistant Professor Piotr Zoch from the University of Warsaw outlined the paper's model framework, offered viewpoints on the model's setup, and provided policy suggestions on how to avoid the "slippery slope" effect.

Associate Professor Ji Yan from the Hong Kong University of Science and Technology presented the collaborative paper "Misallocation and Asset Prices" by Professor Winston W. Dou of the University of Pennsylvania, Dr. Tian Di from the Hong Kong University of Science and Technology, and Professor Wang Pengfei from Peking University. It explores the interplay between resource misallocation and asset pricing against a backdrop of financial friction. By employing a model that incorporates technological innovation and macroeconomic elements, the study revealed how misallocation could affect overall productivity and asset values. Their findings indicated significant impacts of misallocation-induced fluc-



Tim Lee and Anson Zhou

tuations on asset pricing, predicting declines in R&D, consumption, and output growth. Moreover, lower levels of misallocation at the industry level could encourage higher R&D activities, with empirical data underpinning these insights. Assistant Professor Jasmine Xiao from the University of the Notre Dame shared her views and engaged in in-depth debates on the measurement of misallocation, its influence on innovation margins, and the degree of misallocation in the U.S. economy.

Associate Professor Tim Lee from Queen Mary University of London introduced his paper titled "Transforming Institutions: Labor Reallocation and Wage Growth in a Reunified Germany." The article explores how the allocation of workers across firms and factories affects wage growth, and examines how labor institutions, barriers to job mobility, and hiring/firing restrictions impact labor (mis)allocations. Under the background of German reunification, Professor Lee utilized matched employer-employee data constructed from German Social Security records to investigate the labor reallocation that occurred in East Germany following reunification. He also constructed a theoretical model to simulate the economy in East Germany and uses the model to explore the changes in the economic equilibrium before and after German reunification. The research findings indicated that the sharp growth in East German wages strongly

correlated with a rapid reallocation of workers across plants within East Germany. Assistant Professor Anson Zhou from the University of Hong Kong summarized the paper's content, outlined its contributions, provided suggestions for the empirical section, and offered viewpoints on both the model's setup and its stretch.

Associate Professor Luo Wenlan from Tsinghua University introduced "Financing Multinationals". Previous literature emphasizes the important role of technology in cross-border trade. Professor Luo's article explores the role of cross-border production (MP) in cross-border financing from the perspective of cross-border production. The article established a multi-country general equilibrium model for multinational corporations and explored the relationship between FDI, MP, and financial friction. Finally, the model found from a static perspective that factors related to financial market environment and productivity are equally important, and from a dynamic



Luo Wenlan and Li Minghao

perspective, it indicated that changes in financial market conditions accounted for a significant share of foreign direct investment from 2001 to 2012. Assistant Professor Minghao Li from Peking University National School of Development discussed topics such as empirical methods, bond markets and interest rates, and welfare utility.

Assistant Professor Xie Shihan from the University of Illinois, Urbana-Champaign introduced her paper "Macroprudential Policy and Housing Market Expectations". The paper investigated the relationship between macroprudential policy and housing market expectations, finding that macro-prudential policies could move consumers' expectations of national house prices where a tightening (loosening) of a policy ratio drives down



More than 80 young scholars in the field of macroeconomics and finance attended the event to exchange academic achievements and keep track of the latest breakthroughs with renowned scholars."



Xie Shihan and Pei Guangyu



Heitor Pellegrina and Ishan Nath

(up) consumers' house price expectations, and asymmetry in the sign of policy change and geographical heterogeneous effects. The paper showed that the design of the online "strategic" survey on housing market expectations is new for the existing literature. Assistant Professor Pei Guangyu from The Chinese University of Hong Kong discussed topics such as asymmetry and geographical heterogeneity.

Assistant Professor Heitor Pellegrina from the University of Notre Dame presented his research "Deforestation: A Global and Dynamic Perspective." In the context of globalization and deforestation, they used a global economic model, incorporating dynamic multi-sector trade theory to analyze the effects of trade barriers on deforestation using national-level data from 1990-2020. Their methodology integrated empirical models to scrutinize the role of structural changes and comparative advantages in land use. The study revealed that lower global trade costs could significantly reduce deforestation rates, especially in Brazil. Ishan Nath from the Federal Reserve Bank of San



Qiu Xincheng and Piotr Denderski



Lin William Cong and Julien Prat

Francisco discussed topics on the model's implications and methodologies.

Assistant Professor Qiu Xincheng from Arizona State University's Department of Economics introduced his paper "Precautionary Mismatch". The paper constructed a framework involving two-sided heterogeneity, search frictions, and incomplete markets to explore how the wealth held by workers affects the matching between workers and firms in the labor market. In the theoretical model, both workers and firms face a trade-off between the speed of matching and the returns: Wealth-poor workers speed up job search by accepting a wider range of jobs at the cost of lower payoffs (we call this phenomenon "precautionary mismatch"), reducing allocative efficiency of the labor market. Based on empirical data from NLSY79 and O*NET, the paper calibrated the model to the U.S. economy and suggested that if workers could be reallocated to the "right" jobs, total output would increase by around 3%. Assistant Professor



Yena Park and Zhu Lijun

Piotr Denderski from the University of Leicester's Department of Economics discussed the model's setup, provided suggestions for the empirical section, and offered his viewpoints on policy experiments.

Professor Lin William Cong from Cornell University provided an overview of his collaborative paper, "The Tokenomics of Staking," which centers on exploring the pivotal role of staking mechanisms in the cryptocurrency market. Through empirical research using extensive cryptocurrency market data, Lin and his coauthors examined the relationships between staking ratios, staking rewards, wealth concentration, and their impact on cryptocurrency prices. One key finding of their research is that higher staking reward rates often stimulate increased staking activity, typically accompanied by rising cryptocurrency prices. This underscores the potential value of staking mechanisms in enhancing network security and positively influencing cryptocurrency market health and stability. Furthermore, they explored the impact of staking economics on blockchain technology and decentralized finance. Staking has become a cornerstone of these domains, offering participants profit opportunities and contributing to the stability and growth of decentralized networks. Research Director CNRS, CREST Julien Prat engaged in a thorough discussion of staking economics, market dynamics, and their future implications.



Li Kai and Ji Yan

Associate Professor Yena Park from Seoul National University presented the paper "Optimal Firm Regulation with Labor Market Monopsony" coauthored with Hanvit Kim, which explores the optimal redistribution policy in a monopolistic labor market. They considered the case where firms have wage-setting power and workers have idiosyncratic preferences across firms and analyzed the constrained planner's problem and the trade-off between redistribution and allocative efficiency. Results showed that optimal redistribution policy required wage compression, which means providing higher subsidies to low-productivity firms to encourage them to pay higher wages and employ more workers. They also found that different inequality and sorting mechanisms could affect the shape of the optimal policy. Zhu Lijun, Assistant Professor from the Institute of New Structural Economics at Peking University, started a discussion on topics such as worker subsidies and monopoly power heterogeneity.

PHBS Associate Professor Li Kai presented the paper "Leasing, Pecuniary Externalities, and Aggregate Efficiency". He argued that leasing could improve efficiency by mitigating pecuniary externalities in the context of capital misallocation caused by financial frictions. By using US firm-level leasing data and a dynamic general equilibrium model, Professor Li and his coauthors studied the effects of leasing on capital allocation and welfare.



Group photo of the participants

Their results showed that leasing could relax financial constraints, increase the use of new investment and leased capital, lower the price of the old capital, and mitigate distributional and collateral externalities. They also found that ignoring the leasing market could lead to suboptimal tax/subsidy policies. Professor Li concluded that leasing could serve as an important topic in the intersection of finance, macroeconomics, and accounting. Associate Professor Ji Yan from the Hong Kong University of Science and Technology discussed topics such as the relationship between leasing and other methods that could alleviate financial frictions.

On behalf of the organizers, Professor Wang Pengfei, dean of PHBS, expressed sincere gratitude to all the participants. He introduced the student cultivation and employment of the school's master's and doctoral programs, and expressed the hope to strengthen academic exchanges and promote cutting-edge research through this annual event.

Initiated in 2018, the PHBS Workshop in Macroeconomics and Finance has provided an effective platform for some of the most

prominent scholars and young researchers to promote academic exchanges among macroeconomic and financial research institutions, deepen the understanding of China's macroeconomic and financial issues, and facilitate the application of research findings into China's reform and development.

By Chen Man, Chen Bixiao, Cui Chang, Wu Wu, Li Tuoda, Yin Huanyu, Yang Zijun, and Annie Jin
Source: Sargent Institute of Quantitative Economy and Finance (SIQEF) and PR & Media Office



Professor Wang Pengfei delivers the closing remarks



PHBS Assistant Professor Ma Xiao Wins 2023 WTO Essay Award for Young Economists!

By Annie Jin

Last September, Assistant Professor Ma Xiao of Peking University HSBC Business School (PHBS) was conferred with the 2023 WTO Essay Award for Young Economists with his paper, "College Expansion, Trade, and Innovation: Evidence from China." Established in 2009, the annual award aims to promote high-quality research on trade policy and international trade cooperation and to reinforce the relationship between the WTO and the academic community. Professor Ma is the first young scholar from one of the Chinese mainland universities to win this award.

“Professor Ma combines a quantitative model with empirical evidence to shed light on the contribution of China's massive college expansion to China's recent surge in innovation levels and the skill content of exports.”

China has deployed many measures to expand college enrollment since 1999, including building schools, hiring professors, and offering scholarships to underprivileged students. How did this massive education expansion affect firms' export and innovation choices? Professor Ma's paper probes the link between trade openness and education policy, which shows how China's education policy, in particular, the dramatic expansion of college enrolment, could eventually lead to a considerable increase in manufacturing firms' innovation, especially among exporting firms, once these students entered the job market.

In this paper, Professor Ma combines a quantitative model with empirical evidence to shed light on the contribution of China's massive college expansion to China's recent surge in innovation levels and the skill content of

Profile



Ma Xiao
Assistant Professor

Research Interests:
International Trade,
Macroeconomics, and
Economic Development





Without trade openness, the impact of this education policy change on China's innovation and production would have declined by 10–30%.”



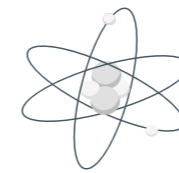
Professor Ma Xiao is presented with 2023 Essay Award for Young Economists

exports. His empirical strategy employs the differential magnitude of the college expansion across regions due to historical factors. In addition, Professor Ma develops a multi-industry spatial equilibrium model, featuring skill intensity differences across industries and heterogeneous firms' innovation and export choices, to better understand the evidence and conduct the quantitative analysis.

Quantitatively, he finds that the college expansion could explain 72% of increases in China's manufacturing R&D intensity between 2003 and 2018 and also triggered a sizable portion of export skill upgrading. These results suggest that enlarging the higher education system serves as an effective tool for developing countries to promote innovation and growth, and maintaining a high level of trade openness further improves the effectiveness of such an education policy in stimulating innovation. Meanwhile, Professor Ma points out without trade openness, the impact of this

education policy change on China's innovation and production would have declined by 10–30%.

With his paper ranked first by the Selection Panel, Professor Ma was presented with his



“China's embrace of globalization and its policy environment have provided me with a remarkable opportunity to delve into the interplay between trade and domestic policies.”



prize of CHF 5,000 at the annual meeting of the European Trade Study Group in Guildford (United Kingdom). In the view of the Selection Panel, Professor Ma's paper tackles a topic of paramount importance and increases understanding of the policies that can lead to more technologically sophisticated exports, as has been observed in China since it joined the WTO.

"I am deeply honored to receive this award," Professor Ma noted, adding that "China's embrace of globalization and its policy environment have provided me with a remarkable opportunity to delve into the interplay between trade and domestic policies."

In recent years, PHBS has grown stronger academically, with an increasing number of its publications in the world's top academic journals and international conferences. Our faculty members have published over 40 top-tier papers (incl. forthcoming) in first-class domestic and foreign academic journals since this year.

PHBS 19th Anniversary Alumni Homecoming

By Annie Jin

PHBS celebrated its 19th Anniversary Alumni Homecoming Day and hosted the 2nd Governing Council Meeting of PHBS Alumni Association on October 28, 2023, kicking off its 20th Anniversary Celebration preparation. The one-day agenda included diverse activities, including family day, class reunions, and a lecture on business innovation. Hundreds of alumni from different programs returned to campus to recall the good old days and enhance their relationships.

In the morning, the second council meeting of the PHBS branch of the Peking University Alumni Association was held in conference room 509. More than 60 participants, including school leaders and alumni representatives of various programs, converged to discuss the development plan of alumni networks and celebration for the school's 20th anniversary.

Professor Hai Wen emphasized the need for a first-class business school to have first-class faculty, students, administration, and a first-class alumni association. He emphasized that the PHBS branch should uphold the PKU Alumni Association's principles and foster alumni ties, facilitate career development, promote school affairs, and serve the community.

Professor Wang Pengfei emphasized the significance of alumni networks and

connections. He attributed the school's rapid development since its establishment to the joint efforts of all PHBSers over the past 19 years. He hoped everyone could continue supporting the school's future growth and undertakings.



The 2nd Governing Council Meeting of the PHBS branch of PKU Alumni Association



PHBS Associate Dean Ren Ting presides over the meeting



Hai Wen, vice chairman of the Peking University Council and founding dean of PHBS, gives opening remarks.



PHBS Dean Wang Pengfei gives remarks



PHBS Associate Dean Zhang Fanshan elaborates on the Administrative Measures of the PKU Alumni Association (PHBS branch) and strategic plans for alumni development.



MA representative Wang Yan, EMBA representative Tang Zhengyu, MBA representative Yu Haiyong, and EDP representative Wang Xiaohui introduce alumni networks of each program.



Professor Hai concluded his speech by putting forward three hopes and requirements for the PHBS alumni branch: first, responsibility and maximum efforts; second, solid plans with a focus on implementation; and third, effective communication and cooperation. He emphasized that PHBS would continue to promote the development of the UK campus and make adequate efforts to improve the school's social and academic influence.

At the ceremony, the logo for the 20th anniversary was launched. The logo incorporated the PKU University red color and the number "20" as its primary visual image. The embedded PHBS building icon symbolizes the school's roots in Pe-



PHBS 20th Anniversary Celebration Launching Ceremony

PHBS Associate Dean Ouyang Liangyi Presides over the lecture



Professor Loch advises on how to select innovative projects.

Professor Loch's lecture on business innovation



MA program class reunion



king University and its commitment to integrity and innovation.

The highlight of the afternoon session was a lecture by Professor Christoph H. Loch, the former dean of the Cambridge Judge Business School (CJBS) and professor of management at PHBS. Professor Loch, with his rich experience in business innovation and project management, discussed "Spending Your Innovation Money on Strengthening Your Business Rather than on Vanity Projects."

In his lecture, Professor Loch emphasized that innovation extends beyond technology, encompassing any new changes that enhance the competitiveness of enterprises. Regarding small and medium enterprises, most new technologies are pur-



With more than 30,000 alumni forming a diverse and extensive network among business schools worldwide, PHBS alumni have become leaders in business, academia, and public affairs and contributed significantly to the school's continued success.

chased externally rather than developed internally. Instead of choosing an innovation project based solely on the rate of return, one should meticulously analyze the strategies and select innovation projects to achieve strategic goals, as financial data can be easily tampered with or manipulated. If the selected innovation project belongs to a new field that must be explored, initiating a small-scale project is recommended to uncover its potential.

Each program also organized homecoming activities such as class reunions, alumni talks, and family day to improve alumni engagement. During these activities, participants shared their accomplishments and aspirations.

Since its establishment, PHBS has trained more than thousands of business leaders, entrepreneurs, and managers. With more than 30,000 alumni forming a diverse and extensive network among business schools worldwide, PHBS alumni have become leaders in business, academia, and public affairs and contributed significantly to the school's continued success. To enhance alumni ties, PHBS hosts its annual homecoming every fall semester. In the future, the PHBS branch of the PKU Alumni Association will continue to bring together alumni from all classes in lifelong conversation and cooperation.

A photo group of PHBS Family Day



Inaugural Cohort of Undergraduates Complete the International Finance Program at PHBS UK Campus

By Hong Shaoheng

The inaugural cohort of undergraduate students from the Peking University School of International Studies has successfully completed their international finance program at Peking University Business School (PHBS) UK campus (PHBS-UK). This achievement equipped the students with a comprehensive understanding of international finance and valuable opportunities for cultural immersion, in-depth analysis of global issues, and personal growth, marking a significant milestone for PKU and PHBS in terms of student cultivation.

As part of a joint, multi-disciplinary development program, 18 undergraduate students, including 5 international students, embarked on

“

The program fostered a diverse and supportive learning environment by facilitating connections between undergraduate and graduate students from various cultures.”

a one-year International Finance course held at our Shenzhen and Oxford campuses. In Oxford, students attended nine weeks of specialized courses that included Financial Markets, the UK and EU Trade, and the UK and EU Politics.

The program fostered a diverse and supportive learning environment by facilitating connections between undergraduate and graduate students from various cultures. This encouraged cross-cultural exchange and created a sense of global community as postgraduate students shared their experiences and provided guidance to the undergraduates.

Through small class discussions, students were encouraged to think critically and analyze complex international finance topics. Going beyond theory, the curriculum enabled students to apply their learning to real-world situations and challenges and also offered an in-depth analysis of current issues such as British politics, Brexit, and China-EU relations. The students' diverse backgrounds enriched the dialogue and created a dynamic learning environment. Tan Seen Vee, for instance, appreciated the

Undergraduate and graduate students take part in a campus table tennis competition





Undergraduate student Ang Shao Heng conducts a presentation during the UK and EU Politics Course

UK and EU Politics course, where she could share her thoughts on contemporary topics, such as the relevance of a bicameral political system or the future of China-EU cooperation and receive immediate feedback from visiting professors. Similarly, Lim Xinyun found the Financial Markets course highly beneficial for gaining a deeper understanding of global markets through insightful comparisons.

Being in Oxford also allowed students to travel widely across the United Kingdom and Europe, providing eye-opening experiences and a deeper understanding of British and European cultures. Chen Chaohan embraced the immersive experience in the UK, indulging in its rich culture and heritage. Whether attending classes in Oxford, marveling at the scenic Seven Sisters Cliff in Brighton, or exploring the captivating town of York, these experiences sparked profound reflections on the China-UK relationship and have



Class photo for the undergraduate program

left a lasting impact on her. Xu Dawei's stay in Oxford provided him with a unique "third-party" perspective on China and a more holistic understanding of the world observed through interdisciplinary and cross-cultural lenses. In addition, his visit to the renowned British Museum offered him invaluable insights into modern Chinese history, and such experiences prompted deeper introspection and contemplation on the intricate dynamics of international relations.

The successful completion of the international finance program equips its students with a comprehensive understanding of the field, practical skills in quantitative research, and a global mindset. PHBS UK looks forward to welcoming future cohorts of undergraduates from even more diverse academic backgrounds to embark on their journey in finance at the Oxford campus.



Going beyond theory, the curriculum enabled students to apply their learning to real-world situations and challenges and also offered in-depth analysis of current issues”



Professor Christoph H. Loch Joins PHBS

By Annie Jin

Professor Christoph H. Loch, former dean of the Cambridge Judge Business School (CJBS), has joined Peking University HSBC Business School (PHBS) in the last fall semester. Professor Loch is professor of operations and technology management at CJBS and served as the dean of the school for ten years.

Under his leadership since 2011, CJBS has grown into a globally acknowledged leading business school, which was reflected in an im-

Profile

Christoph H. Loch

Professor of Management at PHBS
Professor of Operations and Technology Management at CJBS

Education:

Ph.D. in Special Field Decision Sciences and Operations Management,
Stanford Graduate School of Business, USA
MBA, University of Tennessee, Knoxville, USA
Diplom-Wirtschafts-Ingenieur (A Joint Degree in Mechanical Engineering and Business)
Darmstadt Institute of Technology, Germany



provement in global program rankings like Financial Times Global as well as the school's standing in the UK's Research Excellence Framework (REF). In addition, diverse new degree programs were introduced during Professor Loch's tenure, including a Cooperative Program with PHBS in Shenzhen, China that extended previous business-education collaboration between the two institutions.

It is with the efforts from Professor Loch and Professor Hai Wen, founding dean of PHBS, that the PHBS-CJBS cooperation has been fostered and enhanced over a long period. In the year 2023-2024, he will serve as professor of management at PHBS Shenzhen campus, guiding high-quality research and discipline construction in the fields of management and promoting the exchanges and cooperation between PHBS and CJBS.

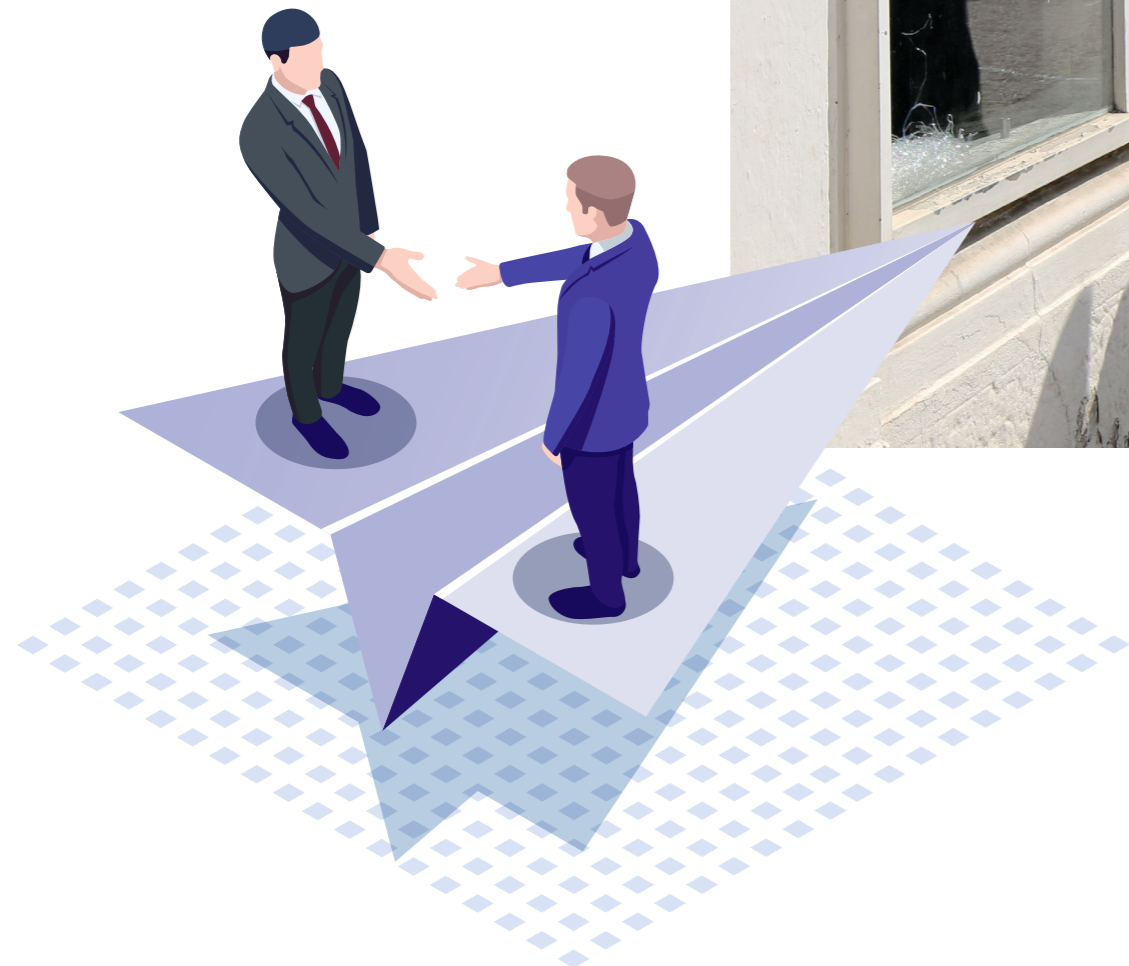
As a prominent scholar, Professor Loch has engaged in high-impact research and widely published in academic papers and books. He was identified as one of the top ten innovation researchers worldwide in the *Journal of Product Innovation Management* in 2012, and as one of the top ten researchers worldwide in *Operations Management* in the journal *Decision Sciences* in 2020. According to the information announced on social media by Christopher Tang, vice chairman of the INFORMS Association, Professor Loch succeeded David Simchi-Levi as the new editor-in-chief of *Management Science* starting from January 1, 2024.

With his experience in the management of innovation in organizations, project management, and the emotional side of motivation of professional personnel, Professor Loch's

research interests span six broad areas: concurrent engineering and coordination in complex systems, managing highly novel, uncertain and ambiguous initiatives, resource allocation, portfolio management and strategy deployment, performance measurement in R&D and uncertain project incentives, motivation and cultural evolution (behavioral economics), and manufacturing management and strategy deployment.

Since its foundation in 2004, PHBS has been working to integrate the best education resources by attracting talented faculty from home and abroad. The school now has 80 full-time professors with PhDs from leading universities around the world. In addition, PHBS has continued to gain global presence and impact, earning in-

Professor Hai Wen (left) and Professor Christoph Loch on their relaxing walk in the city of Cambridge



“In addition, PHBS has continued to gain global presence and impact, earning international accreditations including EPAS, AACSB, and AMBA.



ternational accreditations. According to the QS Rankings 2023, its Master of Management, Master of Finance, part-time MBA programs were ranked 17th, 20th, and 29th globally. As part of PHBS's commitment to research, Nobel Laureate in Economics Thomas Sargent also joined the school in 2017 as the founding director of the Sargent Institute of Quantitative Economics and Finance. With such diversity, the school is ready to attract more of the world's best minds to empower its students and conduct cutting-edge research.

Malaysian Entrepreneur: I'm Here to Learn From the Best

By Yang Mei

Jonathan Lee Hun Leong's entrepreneurial journey began at a young age when he founded his first company, an education institute in his home country Malaysia, at the age of 18. Eleven years later, in 2019, he arrived in Shenzhen with a bigger ambition: to rekindle his dream of entrepreneurship by learning from the best in the city that has birthed numerous success stories.

The 34-year-old's career path before arriving in Shenzhen was marked by a series of entrepreneurial ventures across Asia. In 2012, he ventured into the trading business in South Asia, followed by South Korea (2014-2015) and Malaysia (2016-2018). According to Lee, his involvement as a partner led to significant growth in each company, with one Malaysian company expanding from a mere three-to-four person team to 150 employees during his time.

Lee's decision to choose Shenzhen as his next entrepreneurial chapter stemmed from the city's reputation as a manufacturing and innovation hub; as his best friend Victor from Sweden once told him, "If you want to become great entrepreneurs, you need to learn from the best. And China is the best." From his point of view, Shenzhen is the place where one can find manufacturers, supply chains, and connections.

In 2019, Lee moved to Shenzhen with dreams of becoming an entrepreneur here. However, his initial plans to found his own company upon arriving in Shenzhen were met with the unexpected challenges posed by the COVID-19 pandemic. This forced him to adapt and explore alternative avenues for learning and professional growth. He joined Shenzhen YiHaoJi Technology Co. Ltd. as its global distributor, gaining valuable experience in the world of electronic atomizers, 3C products (computer, communication and consumer electronic products), and FMCG (fast-moving consumer goods).



Jonathan Lee Hun Leong (L) and his best friend Victor at Lee's Shenzhen office at YiHaoJi Technology in Nanshan District in 2023.



“Eleven years later, in 2019, he arrived in Shenzhen with a bigger ambition: to rekindle his dream of entrepreneurship by learning from the best in the city that has birthed numerous success stories.”



Peking University HSBC Business School (PHBS) students attend classes in Peking University's campus in Beijing in 2023.

As a co-partner and global distributor at YiHaoJi, Lee has built and is managing the company's 10 overseas subsidiaries in countries such as Indonesia, South Korea, Ukraine, the U.K., Canada and Peru, bringing Chinese brands such as Relx, SKG and Wanglaoji to worldwide platforms. In December 2023, the company became the exclusive distributor of the famous Chinese herbal tea brand Wanglaoji in Peru, according to Lee.

The Malaysian believes that the two ways to learn from the best are working at the best companies and through the best education resources. Therefore, in 2022 Lee enrolled in the Master in China Studies for Economics and Management Program (MCS) at the Peking University HSBC Business School (PHBS). "Peking University is China's first national comprehensive university, so I think I need to learn from the best and from the one with the longest history," he told Shenzhen Daily; "The MCS program is designed for anyone, especially foreigners who want to become entrepreneurs in China."

He recognizes the importance of Confucius' teachings and the nuances of Chinese consumer behavior. "I did not live in China before, I had no idea about China, so I needed to learn the culture and the Confucius

“Through his experiences in Shenzhen, Lee has developed a deep appreciation for the city's entrepreneurial spirit characterized by efficiency and bravery in decision making.”



thinking because people's way of thinking in doing business do not change. So, in order to get into the Chinese market, I needed to learn how people really think and behave, and how the whole society and the economics work in China," he stated.

Lee's studies at PHBS have been more than just theoretical. He has actively applied what he has learned to real-world scenarios, achieving impressive results. One such example is his successful placement of a famous consumer electronic product in convenience stores like Circle K in Indonesia. By applying the concept of the "context effect" learned in a marketing course, Lee convinced the stores to group the product with similar products.

Through his experiences in Shenzhen, Lee has developed a deep appreciation for the city's entrepreneurial spirit characterized by efficiency and bravery in decision-making. "Companies in Shenzhen and in other parts of the world are equally efficient," he observes, "but Shenzhen's growth is faster because its companies are more willing to take risks."

Stepping into the New Year, Lee is brimming with exciting goals. He aims to bring renowned Swedish singers Rasmus Gozzi and Fröken Snusk to Shenzhen to facilitate cultural exchanges between Sweden and China. Additionally, he envisions introducing unique Chinese products to the global market.

Lee appreciates Malaysia's decision to offer a 30-day visa-free travel policy for Chinese citizens from Dec. 1, 2023, to Nov. 30, 2024. He believes that this move will foster economic growth in both nations, open up new opportunities, and pave the way for successful Chinese brands to make a mark in the overseas market.

Source: Shenzhen Daily



Peking University is China's first national comprehensive university, so I think I need to learn from the best and from the one with the longest history,”



Jonathan Lee Hun Leong



PHBS students visit Peking University's campus in Beijing in 2023.



Seungjoon Oh

Does Board Demographic Diversity Enhance Cognitive Diversity and Monitoring?



Seungjoon Oh

Associate Professor

Research Interests:
Entrepreneurial Finance,
Corporate Innovation,
Governance, Venture Capital

Although prior studies examine how different dimensions of board demographic diversity, such as differences in gender and ethnicity among directors, affect firm-level outcomes, no study to date has investigated whether these dimensions enhance cognitive diversity (i.e., different perspectives and thoughts) in the boardroom. The lack of research is surprising given institutional investors' recent efforts to promote diverse board membership as a way to bring a broader range of perspectives and thoughts to the boardroom (e.g., BlackRock's engagement on

board diversity) and regulatory mandates requiring demographic diversity as a key feature of board quality and effectiveness.

In their paper, "Does Board Demographic Diversity Enhance Cognitive Diversity and Monitoring" published in *The Accounting Review*, Seungjoon Oh, associate professor at Peking University HSBC Business School, Jun-Koo Kang at Nanyang Business School, Nanyang Technological University, and Seil Kim at Baruch College, City University of New York, fill this gap in the literature by examining whether demographic proxies for diversity translate into cognitive diversity measured by the likelihood of director dissent toward management proposals.

A priori, it is unclear how demographic diversity affects cognitive diversity in the boardroom. On the one hand, because directors with diverse backgrounds represent a broader range of perspectives, they can enhance cognitive diversity in the boardroom. Prior studies of group decision-making suggest that individuals feel more comfortable disagreeing with people who are dissimilar. In contrast, individuals in a homogeneous group are more likely to challenge harmful norms in the group, and individuals who do not share similar traits with other group members are less likely to voice unpopular opinions because they are less committed. Hence, how board demographic diversity affects cognitive diversity in the boardroom



“Directors with different backgrounds and characteristics, particularly directors with diverse qualifications and skillsets and female directors, provide diverse opinions in the boardroom, thereby enhancing cognitive diversity.”



remains an empirical question.

Oh and his coauthors examine this important yet unexplored issue by utilizing a novel hand-collected dataset of board proposals, individual director votes, and voting outcomes of large Korean firms from 2001 to 2014. Since 2001, the Korean Commercial Act has mandated that all listed firms publicly disclose detailed information about the specifics of each proposal, the individual director votes, and the outcomes of these votes. Korea is one of the few countries in which data on proposal-specific characteristics and individual directors' voting behavior are publicly available.

They focus on five dimensions of demographic diversity—director age, tenure, industry experience, gender, and nationality—that have received significant attention in prior studies and from institutional investors and regulators. Because demographic diversity can affect cognitive diversity (measured as director dissent in the boardroom) either directly by bringing different perspectives to the boardroom or indirectly by changing the dynamics of groupthink in the boardroom, they investigate the effects of demographic diversity on cognitive diversity at both the director and board levels. The multi-level analyses allow us to separately assess whether directors with dissimilar demographic characteristics are

more likely to dissent and whether directors are more likely to dissent when the board, in general, has greater demographic diversity.

Among the five dimensions of demographic diversity measured at the director and board levels, they find that tenure and experience diversity at both the director and board levels and gender diversity at the board level are positively related to the likelihood of director dissent. They also find that stock market reactions to director resignation announcements are more negative for directors who have ever dissented than for other directors, suggesting that cognitive diversity adds value to the firm. Moreover, following dissent-driven proposal rejections, firms experience higher Tobin's q , lower risk, better financial reporting quality, higher forced CEO turnover-performance sensitivity, and reduced overinvestment in R&D activity.

Overall, their results suggest that directors with different backgrounds and characteristics, particularly directors with diverse qualifications and skillsets and female directors, provide diverse opinions in the boardroom, thereby enhancing cognitive diversity. Moreover, this enhanced cognitive diversity helps increase firm value by rejecting risky, value-reducing proposals and by monitoring management more effectively.

Zhao Lingxiao

Winners from Winners: A Tale of Risk Factors



Zhao Lingxiao

Assistant Professor
Research Interests:
Asset Pricing,
Model Comparison,
Bayesian Econometrics

The question of which risk factors best explain the cross section of expected equity returns continues to draw attention on account of the large importance of this topic for theoretical and empirical finance. Along with the market factor, hundreds of additional risk factors have emerged, and the set of possible such factors continue to grow. Rather than add to this list, PHBS Assistant Professor Zhao Lingxiao and her coauthors ask: Could we start with the risk factor collections that have generated support in the recent literature, take the union of the factors in those collections, and then find a new set of risk factors (winners from winners) that gather even more support from the data, on both statistical and financial grounds?

In the paper "Winners from Winners: A Tale of Risk Factors" published in *Management Science*, they start with the risk factor collections of Fama and French (1993, 2015, 2018), Hou et al. (2015), Stambaugh and Yuan (2017), and Daniel et al. (2020), which gain the most support in the literature. In specific, there are 12 factors covering the market, among which fundamental, aggregated mispricing, and behavioral ones that are widely accepted as important risk factors. In the first part of the analysis, the benchmark model scans and asks what collection of risk factors emerge when each factor is allowed to play the role of a risk factor, that is, an element of the stochastic discount factor (SDF), or a nonrisk factor, to produce different groupings of risk factors in a combinatorial fashion. Each grouping consists of a collection of factors that are risk factors in that grouping, and a complementary collection (the remaining factors) that are nonrisk factors in that grouping.



"Pricing tests and annualized out-of-sample Sharpe ratios for tangency portfolios suggest that this asset pricing model should be used for computing expected returns, assessing investment strategies, and building portfolios."



To illustrate, envision a coaching team tasked with assembling a group of athletes for Olympic preparation from a pool of 12 candidates. Taking into account the various events and the associated costs for each athlete, the team must assess the necessity of including each candidate in the group. Consequently, there are a total of 4095 ($2^{12}-1$) different combinations for forming this group, considering all possible arrangements.

This benchmark model scan shows that a seven-factor asset pricing model, consisting of {Mkt, SMB, MOM, ROE, MGMT, PERF, and PEAD} gets the most support from the data. This model is closely followed by a second model, a six-factor model that omits PERF, and a third model, a five-factor model, that omits PERF and MOM.

Moreover, to improve the {Mkt, SMB, MOM, ROE, MGMT, PERF, and PEAD} asset pricing model further, they then ask a second question: Can such a benchmark analysis be improved (and by how much) by considering not just the initial factors, but the initial factors plus (say) the 125 anomalies in Green et al. (2017) and Hou et al. (2020)?

To address the question, the authors augment the initial set of factors with the 125 anomalies described above. They take the set of 12 initial factors and find the genuine anomalies, that is, anomalies that cannot be priced by the initial factors, producing 24 genuine anomalies. They then transform the genuine anomalies to principal components (PCs) and consider the first 12 of these PCs as additional factors. Furthermore, they scan (estimate and compare) the 16,777,215 asset pricing models that arise from the 12 initial factors plus the first 12 PC factors. A key feature of this extended model scan is that the initial factors are left as is. Only the genuine anomalies are converted into PCs. A Bayesian comparison of approximately seventeen million models in terms of marginal likelihoods and posterior model probabilities shows that {Mkt, MOM, IA, ROE, MGMT, PERF, PEAD, FIN}, plus the nonconsecutive principal components, {PC1, PC5, PC7} are the best supported risk factors. Pricing tests and annualized out-of-sample Sharpe ratios for tangency portfolios suggest that this asset pricing model should be used for computing expected returns, assessing investment strategies and building portfolios.

A New Approach to Strategic Innovation: A Quick Review

Summarized by Annie Jin

Companies typically treat their innovation projects as a portfolio, aiming for a mix of projects that collectively meet their strategic objectives. The problem, say the authors, is that portfolio objectives have become standardized, and innovation projects are often only weakly related to a company's distinctive strategy.

Therefore, companies must continually innovate with projects that align with their strategic goals. Traditional approaches to managing innovation often fall short in achieving this critical alignment. This quick review summarizes a recent article on strategic innovation, by Haijian Si, Christoph Loch, and Stelios Kavadias from the University of Cambridge's Judge Business School.

By surveying 75 companies in China, they discovered that companies could achieve better performance outcomes through aligning innovation investments with their strategic goals. Therefore, the authors introduce a new approach called the Strategic Innovation

“By surveying 75 companies in China, they discovered that companies could achieve better performance outcomes through aligning innovation investments with their strategic goals.”



tion Toolkit, designed to align innovation investments with a company's strategic goals. For the practical implication, the tool was successfully tested across 10 business units at five companies.

The toolkit consists of two components: a strategy summary framework and an innovation basket. Leaders can use the strategy summary framework to clarify their unit's strategy and determine the areas where innovation is needed to achieve their goals. Then, they can create an innovation basket by mapping each innovation project against the identified change and innovation needs. This process enables leaders to identify projects that are misaligned and develop new ones that are better aligned with the innovation needs.

Unveiling the Strategic Innovation Tool Kit

At the heart of this new approach lies the Strategic Innovation Tool Kit, a comprehensive framework designed to empower companies to forge a direct link between their innovative endeavors and their competitive strategies by bridging the gap between innovation projects and innovation needs. Let's explore the key components of this tool kit:

● Creating Consensus on Strategy

As members of the management team often held varying understandings of their company's strategy, getting them on the same page through a strategy summary framework could help companies articulate their strategic positions. By using the widely known 3W1H (what, who, why, and how) framework plus a fifth question on weaknesses, businesses gain insights into their competitive strengths and weaknesses.

● Designing the Innovation Basket

By introducing a paradigm shift from the traditional portfolio approach to a more tailored innovation strategy, the authors propose an "innovation basket" con-

Profile



Haijian Si

is the former CEO of Chinese new energy companies Linuo Power Group Co., Huanyu Power, and Hanergy Thin Film Power and is a doctoral candidate at the University of Cambridge's Judge Business School.



Christoph Loch

is the former dean of the University of Cambridge's Judge Business School and professor of management at PHBS.



Stelios Kavadias

is the Margaret Thatcher professor of Enterprise Studies in Innovation and Growth at the University of Cambridge's Judge Business School and the director of its Entrepreneurship Centre.

“Designing an innovation basket will launch a creative discussion of what opportunities exist and how they can be translated into projects that support the unit's strategy.”

cept to denote a company's collection of innovation projects. Unlike a portfolio, which aims to maximize returns through diversification, the basket is customized to the business unit's strategy and organization. The top row of the basket lists the change needs from the first exercise, now framed as the innovation goals that projects are expected to address. Designing an innovation basket will help map projects to areas of the business model with valuable potential and ensure that innovation efforts are in harmony with their unique competitive strategies.

● **Filling the Basket and Iteration**

Evaluation of the basket may trigger a change of strategy. Projects that do not align with innovation needs are removed, making room for new ones that better support the strategy, or even identifying projects that offer previously overlooked opportunities that can enhance the strategy. This iterative process ensures that the innovation basket evolves in response to changing strategic dynamics, creating a continuous cycle of alignment and improvement. This procedure is not a top-down deductive process but rather a creative endeavor led by the management team and relevant experts in workshops. Frontline staff must contribute project ideas, as they often know more about what could add value to the unit than management might expect. Designing an innovation basket will initiate a discussion of opportunities and how to translate them into projects that support the unit's competitive strategy.

● **Numbers and Metrics**

After multiple iterations, the toolkit sets quantifiable goals for each innovation target, ensuring that selected projects



make a substantial contribution to achieving the company's strategic goals. In addition, the authors caution against turning this process into a formal optimization exercise, as project selection is driven by algorithms that precisely weight projects based on their potential to achieve goals. The optimization process is rigid and opaque, and may rely on standard metrics that do not reflect environmental dynamics. Let us look at how the entire process plays out in practice: the authors present two compelling case studies that realize the power of strategic innovation and bring the tool kit's transformative potential to life:

Glass, Inc.: Achieving Focus and Realignment

The optical devices division of Glass, Inc. utilized the tool kit to address growth challenges. By identifying weaknesses and mapping change needs, the company repositioned itself for success. The process led to a more targeted and impactful innovation portfolio. After realizing that Glass, Inc.'s optical devices division was working on too many unproductive niche products in response to an overly narrow performance metric, the group was able to focus on a smaller number of products with higher potential

BAT: Strategic Reinvention through Innovation

Battery company BAT underwent a strategic shift, leveraging the tool kit to identify a growth opportunity in a different technology segment. As this case illustrates, explicitly exploring the links between a company's strategy and its innovation investments can be transformational. The process helped BAT reshape its strategic direction in its markets, leading to major new investment in a project that straddled traditional boundaries.

Conclusion

The traditional approach to managing innovation projects may lead to missed opportunities and misalignment with strategic goals, while The Strategic Innovation Tool Kit offers a groundbreaking alternative. The examples we have discussed demonstrated how the innovation basket

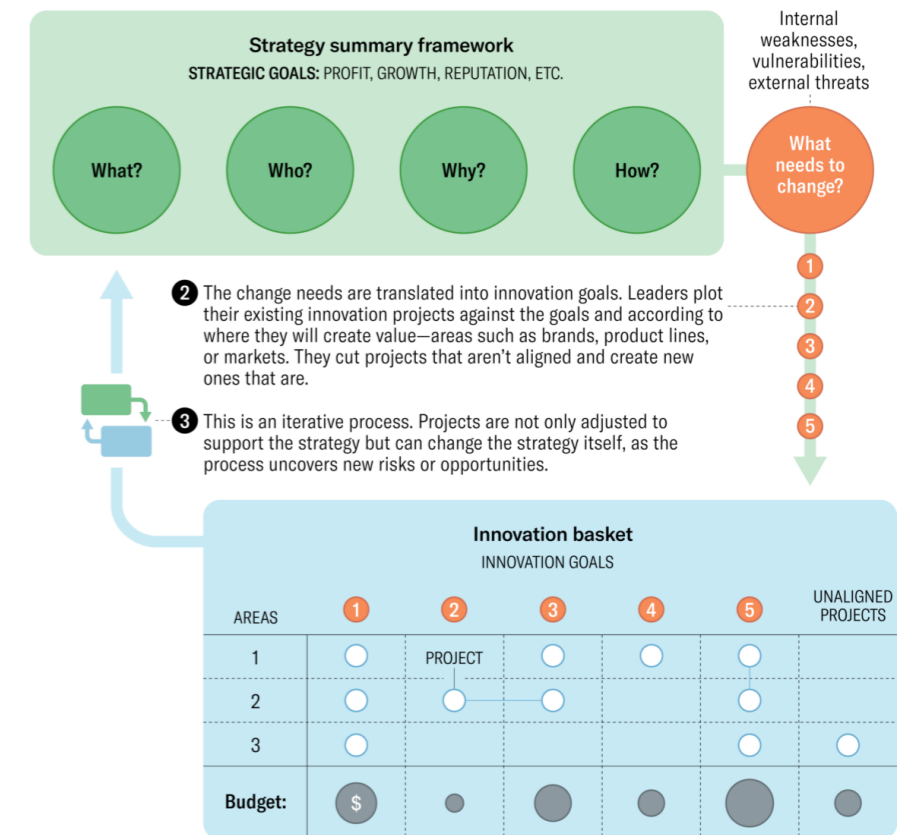


“Applying our basket analysis to the unit's innovation activities uncovered a disconnect between what the leaders thought they were doing and what was actually happening.”

The Strategic Innovation Tool Kit

Our innovation tool kit consists of the strategy summary framework and the innovation basket. As leadership teams work through these exercises, they will gain consensus on strategy, identify threats and weaknesses, translate those weaknesses into innovation goals, and cultivate a collection of innovation projects that support their strategy. Evaluation of the basket may also trigger a change in strategy.

- Using the what-who-why-how framework, management teams clarify their business unit's strategy. From there, they ask a fifth question: "What needs to change in order to achieve our strategy?"



process not only helps managers implement strategy but also shapes it, providing a window into the impact of innovation activities on strategy.

In addition, implementing the Strategic Innovation Tool Kit requires a cultural shift in organizations which involves open communication, collaboration across functions, and emotional engagement. By adopting this tool kit, businesses can achieve true strategic alignment, unlock new growth opportunities, and drive transformative change.

*The full version of this article appeared in the September – October 2023 issue of *Harvard Business Review*.

Jack Goldstone: “Population Aging May Keep Social Instability Away”

The Virginia E. and John T. Hazel, Jr. Chair Professor of Public Policy at George Mason University, Jack Goldstone, is a sociologist, political scientist, and historian specializing in studies of social movements, revolutions, political demography, and the "Rise of the West" in world history. In the interview with PKU Financial Review, Jack Goldstone is more concerned about "elite overproduction" rather than population aging.

“The SDT suggests that the country is demographically past the stage at which violent political movements are likely to spread.”

Q: You are the theoretical founder of structural-demographic theory (SDT). SDT combines population growth with urbanization, youth bulge, elite plunder, and severe social inequality, thus proposing a new mechanism of "political instability." China is in a period of rapid aging and is "taming" those monopolistic technology giants. In your opinion, can China find a strategy from SDT to prevent future political instability?

Jack Goldstone: The SDT suggests that China can avoid political instability by continuing inclusive economic growth, limiting elite corruption and factionalism, and reducing inequality. I do NOT see any risk of violent political instability in China.

The SDT suggests that the country is demographically past the stage at which violent political movements are likely to spread. I should note that the SDT does argue that countries with a high median age, like China, are likely to have populations that value personal autonomy and the accountability of their government and thus seek to adopt constitutional and democratic institutions.

Profile



Jack Goldstone

Virginia E. and John T. Hazel, Jr.
Chair Professor of Public Policy
George Mason University

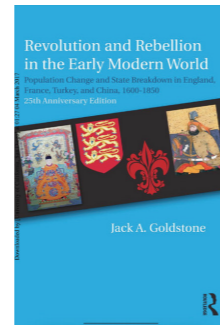
Q: Your research has been focused on the impact of population change on the global economy. Currently, the median age in India is 28 years old; in China, it is around 38 years old; and in Japan, it is over 48 years old. From the perspective of Structural-demographic theory, how do you view the future development trends of major global economies? Is it true that the younger the population, the better its development?

Jack Goldstone: I think it is not that simple. India, China, and Japan are in different places on their population trajectory, but all these countries are moving in the same direction. That is, they all have far fewer children than they did a few decades ago. Thus, they are all in the process of population aging. In the following decades, they will have more elderly people and fewer young people. That is certainly not always true when you say the younger the population, the better. Younger is better only if the young people are well-educated or trained to be productive and if there are jobs for them. If a large number of young people are poorly educated, like in India, that is not always help-



ful. Japan has too few young people for rapid growth. That is true. However, Japan's young people have been well-educated and productive for many decades, so even though the economy is stuck at slow growth, it remains stable at a relatively high level.

Now, when you ask about the future, what will happen in these countries in the future? Because they are aging, all of them are likely to see slower economic growth and an eventual decline in their total output when the working-age population starts to fall, especially when it starts to fall rapidly. Now, that has not happened yet in any of these countries. Even in Japan, although it is getting older, the vast numbers of people born in the 1960s are only just starting to retire now, so Japan is going to start seeing a



“Younger is better only if the young people are well-educated or trained to be productive and if there are jobs for them.”

significant decline in the workforce very soon. China will see a slow decline in the workforce that will get faster within a couple of decades, and India will have a workforce that is growing slowly, not as well-educated, but still growing for about 20 years, although its economy will remain much smaller than China. So, all of these countries are slightly in different phases, but they are working on the same kind of trajectory. India will grow more than China or Japan in percentage terms but will probably remain a smaller economy because it is not going to grow that fast, given that its population is already starting to age.

Q: Starting in 2020, the United States will be in a "turbulent period" due to "elite overproduction," which means many elites spend a lot of money and time obtaining high-level diplomas, but they do not receive corresponding benefits. Do you agree with this viewpoint?

Jack Goldstone: It is not just that there is competition among educated elites for jobs – that is true in China as well! Instead, it is that elite overproduction has been followed by a period of extreme political polarization, in which the elites leading rival parties (the Democrats and Republicans) are seeking to exclude the other from political power and making policy without any input or compromises from the other party. This leads to turbulence because government decision-making becomes difficult – for example, the two parties fail to agree on how to raise the borrowing limit for the US government, which could damage the US's fiscal strength—and because any decisions that are made by one party, such as recent decisions on when abortion is permitted, or which health expenses should be paid by the government, are immediately contested and then reversed if the other party gains power.

So, government functioning is hindered, and government policies are unstable. At the same time, the factional conflict leads elites to try to whip up popular emotions and anger over actions by the other party; this increases the risk of violent actions by popular groups. For most of its history, the United States has relied on its Constitutional institutions to defuse conflicts and encourage cooperation and compromise among different political viewpoints. Today, however, as in the Civil War era, political elites are so often opposed to cooper-





“The more significant danger is that ChatGPT will be given too much authority or power over specific work or government activities, which could be dangerous, just as if any other technology was misused.”

ation and are encouraging such anger at their opponents that they appear willing to tear down those institutions for their party to gain or keep power.

Q: What do you think of a Generative Pre-Trained Transformer like ChatGPT? It seems that it can replace a lot of human work. Does it lead to less work and more leisure and comfort for humans, such as working four days a week, or causing unemployment in many industries and eventually triggering a political crisis?

Jack Goldstone: Every technological advance of the machine age, from factories to spin cotton to personal computers, was criticized for potentially putting people out of work. Yet this never happened; instead, technologies made humans MORE productive, paid them higher, and increased the value of work that machines could not do.

Despite all the technological advances of recent decades, the US has record-low unemployment today. ChatGPT will enhance the workers' productivity who create writing, music, and computer code. It will provide first drafts, basic translations, and new melodies that skilled human workers can build on and revise to produce superior outputs. It will also enhance the productivity of scientists trying to solve complex problems that require creating algorithms relying on enormous amounts of data, as with developing a program to predict the 3-dimensional structure of proteins. ChatGPT may help develop cancer vaccines or much more efficient motors. (It may also make sports bettors more effective.)

However, I do not believe it will cause mass unemployment. The more significant danger is that ChatGPT will be given too much authority or power over specific work or government activities, which could be dangerous, just as if any other technology was misused.

*The full version of this article appeared in the 16th issue of *PKU Financial Review*.

PHBS SHENZHEN THE WAY TO INNOVATION AND ENTREPRENEURSHIP



MA program offers master's degrees in management, finance, and economics, conducted entirely in English. In addition, tuition scholarships are available for international students.

Tel: 86 755-2603-3097

Apply online:
<https://english.phbs.pku.edu.cn/academics/Master/>

MBA program is a two-year program committed to cultivating business leaders with professional knowledge, international vision, and social responsibility. Full-time MBA courses are taught in both Chinese and English, while part-time are taught in Chinese. Students can apply for a dual degree program, completing their MBA courses at PHBS in their first year and then study for Master of Science in Finance (MSF) degree at the Zicklin School of Business, Baruch College of City University of New York.

Tel: 86 755-2603-2001

Apply online:
<http://mbaapply.phbs.pku.edu.cn/apply/index>

EDP program offers courses designed to benefit people and organizations working in an executive environment. Since its establishment in 2007, it has trained more than 50,000 students. EDP has successfully launched a series of courses in management and finance aimed at executive managers. Meanwhile, customized training programs are also provided for the specific needs of enterprises. Starting from 2020, students can apply for the Collaborate Executive Education Program jointly launched by PHBS and Cambridge Judge Business School.

TEL: 400-772-0111

Apply online:
<https://edp.phbs.pku.edu.cn/>

EMBA program provides experienced managerial personnel in broad sectors with in-depth training as well as sophisticated management tools. The duration of the program is two years with four days of intensive instruction every month. All applicants must have more than 8 years of working experience (including 5 years of management experience). Moreover, applicants should prepare all the required documents including two reference letters. Local applicants will take the entrance exam before admission, while international applicants will be evaluated for overall profile and management potential.

Tel: 86 755-2603-2722

Apply online:
<https://embaapply.phbs.pku.edu.cn/enroll/>