Published Articles

Cai, Jiangnan. forthcoming. "The Dilemmas of Healthcare". China Hospital CEO.
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Cai, Jiangnan, and Ding, Zhulin. 2013. "Catastrophic health insurance, where is the money from?". China Health. 2013 (1).
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Abstract: Despite the powerful technologies that
have enabled the assembly of transactional databases and the processing of information about individual customers and their buying patterns, database marketers have been limited by what is known as the "incomplete information problem"—that is, marketers have incomplete information about a customer’s behavior in the product category of interest. A company’s transactional database can only be built from customers’ transactions with that company. Any transactions that have been made with other companies are missing. The authors present a modeling approach designed to solve the incomplete information problem. They use transactions conducted with a single supplier in that category to infer consumers’ behavior with other suppliers in that category. In particular, armed with prior knowledge of the parametric form of consumer interpurchase time distributions, they uncover elements of the stochastic process that dictates which supplier a consumer chooses on a particular purchase occasion. The authors focus on interpurchase times because they form the core of the incomplete information problem. If a company uses its observed interpurchase times to estimate interpurchase times in the category for a specific consumer, its estimate will be biased upward. Combined with the model developed in this study, a familiar analysis of transaction profitability can be used to build a new type of lifetime value: lifetime category value of the customer.

Paper:  
http://www.journals.marketingpower.com/doi/abs/10.1509/jmr.06.0005
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Abstract: When companies purchase IT products for their employees, departments or divisions, whether to standardize on one product or to allow the users to make their own choices is an important decision for IT managers to make. By consolidating demand and committing to buy from a single seller, standardization ensures product compatibility within corporation and has a potential to induce intense price competition among sellers, but this potential is subject to whether competing products are compatible and the relative competitive advantages of the sellers. This paper studies when it is optimal for an employer to commit to exclusive purchase from a single seller to enforce standardization, and sellers’ incentives to invest in mutual compatibility. Our results suggest that the employer is more likely to make such a commitment when the competing products are compatible, less vertically differentiated and/or more horizontally differentiated. We also find that the sellers agree to cooperate and invest in mutual compatibility only when the gap between their competitive advantages is moderate, but the availability of third party converters that enable partial compatibility can induce more collaboration among the sellers.

Paper:  
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Paper:  
http://pages.stern.nyu.edu/~rselee/papers/PDService.pdf
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Abstract: Out-of-stock (OOS) is commonly observed in the retail environment with consumer packaged goods, but there have been few empirical studies regarding the effects of OOS on consumer product choice, mostly because OOS information during households’ purchase occasions is difficult to obtain. The authors study the effects of OOS on consumer stockkeeping unit (SKU) preference and price sensitivity, using a unique data set from multiple consumer packaged goods categories with information on recurring OOS incidents. They obtain several substantive findings: (1) Consumers’ price sensitivity tends to be underestimated when OOS is not accounted for in a discrete choice model; (2) for consumers who have shorter interpurchase time, their preference for a SKU is attenuated when it is frequently stocked out; and (3) for consumers who purchase from a small number of SKUs, their preference for a SKU is reinforced when facing OOS of other similar SKUs, whereas it is attenuated when facing OOS of other similar and also frequently purchased SKUs. To obtain further managerial insights from the study, the authors carry out three counterfactual analyses based on their estimation results to investigate the impact of OOS on SKU and category demand. They also find that eliminating all OOS incidents in the categories studied leads to an average increase of 2.64% in category sales. However, the impacts of OOS on category sales differ across categories. In a category (e.g., ketchup) in which the contextual effect of OOS is positive, the authors find that eliminating all recurring OOS may actually lower the category sales. Last, they perform an analysis that shows that retailers could benefit more from eliminating the OOS of the SKU with the highest marginal revenue impact. In this regard, this research suggests that there is a strong need for the retailers and manufacturers to routinely collect OOS data in retail revenue management.

Paper:  
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Abstract: We develop a framework to explain the likelihood of isomorphic behavior by a focal firm toward local rivals and nonlocal rivals and then predict financial performance associated with these isomorphic actions. We predict a causal relationship between rival isomorphism and financial performance that reveals a paradox. We test and find support for our hypotheses using a sample of firms raising capital abroad from 1994 to 2005. We consider a focal firm’s perceptions of
local and nonlocal rival isomorphism and assert that investors have different perceptions of local and nonlocal rival isomorphism that affects financial performance of the equity offering.

Paper:  http://jom.sagepub.com/content/early/2013/06/27/0149206313495323.full
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Abstract: We study changes in chief executive officer (CEO) contracts when firms transition from public ownership with dispersed owners to private ownership with strong principals in the form of private equity sponsors. The most significant changes are that a significant portion of equity grants performance-vests based on prespecified measures and that unvested equity is forfeited by fired CEOs. Private equity sponsors do not reduce base salaries, bonuses, and perks, but redesign contracts away from qualitative measures. They use some subjective performance evaluation, do not use indexed or premium options, and do not condition vesting on relative industry performance. We compare the contracts to predictions from contract theories, and relate our results to discussions of executive compensation reform.

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Abstract: We find that firms behave consistently with how their CEOs behave personally in the context of leverage choices. Analyzing data on CEOs’ leverage in their most recent primary home purchases, we find a positive, economically relevant, robust relation between corporate and personal leverage in the cross-section and when examining CEO turnovers. The results are consistent with an endogenous matching of CEOs to firms based on preferences, as well as with CEOs imprinting their personal preferences on the firms they manage, particularly when governance is weaker. Besides enhancing our understanding of the determinants of corporate capital structures, the broader contribution of the paper is to show that CEOs’ personal behavior can, in part, explain corporate financial behavior of the firms they manage.

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Abstract: Although previous research on apologies has shown that apologies can have many beneficial effects on victims’ responses, the dyadic nature of the apology process has largely been ignored. As a consequence, very little is known about the congruence between perpetrators’ willingness to apologize and victims’ willingness to receive an apology. In three experimental studies we showed that victims mainly want to receive an apology after an intentional transgression, whereas perpetrators want to offer an apology particularly after an unintentional transgression. As expected, these divergent apologetic needs among victims and perpetrators were mediated by unique emotions: guilt among perpetrators and anger among victims. These re-
sults suggest that an apology serves very different goals among vic-
tims and perpetrators, thus pointing at an apology mismatch.

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De Cremer, D.. forthcoming. "Half-hearted leadership: When leadership is put on hold and procrastination dictates". Business Strategy Review.
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Abstract: Existing justice theory explains why fair procedures moti-
vate employees to adopt cooperative goals, but it fails to explain how employees strive toward these goals. We study self-regulatory abili-
ties that underlie goal striving, abilities that should thus affect employ-
es' display of cooperative behavior in response to procedural justice. Building on action control theory, we argue that employees who dis-
play effective self-regulatory strategies (action-oriented employees) display relatively strong cooperative behavioral responses to fair procedures. A multisource field study and a laboratory experiment support this prediction. A subsequent experiment addresses the proc-
ess underlying this effect by explicitly showing that action orientation facilitates attainment of the cooperative goals that people adopt in response to fair procedures, thus facilitating the display of actual cooperative behavior. This goal striving approach better integrates research on the relationship between procedural justice and em-
ployee cooperation in the self-regulation and the work motivation literature. It also offers organizations a new perspective on making procedural justice effective in stimulating employee cooperation by suggesting factors that help employees reach their adopted goals.
Paper:  http://jpm.sagepub.com/content/early/20130301/0149206313478197.abstract
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Abstract: Previous studies on procedural fairness have largely ne-
glected to examine factors that influence leaders' enactment of fair-
ness. Two controlled laboratory experiments and a field study with leaders working within organizations investigated the combined im-
pact of follower belongingness needs and leader empathy. It was revealed that leaders are more apt to enact fair procedures when followers' belongingness needs are high rather than low. This effect was further moderated by leader empathy, such that highly empathic leaders, either because of individual differences or through situational induction, take followers' belongingness needs more into account. The relevance of these findings for procedural rule adherence and viola-
tion as a dependent variable and empathic leadership is discussed.
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Abstract: In the present article, we argue that the constant pressure that leaders face may limit the willpower required to behave according to ethical norms and standards and may therefore lead to unethical behavior. Drawing upon the ego depletion and moral self-regulation literatures, we examined whether self-regulatory depletion that is con-
tingent upon the moral identity of leaders may promote unethical leader-
ship behavior. A laboratory experiment and a multisource field study revealed that regulatory resource depletion promotes unethical leader-
ship behaviors among leaders who are low in moral identity. No such effect was found among leaders with a high moral identity. This study ex-
tends our knowledge on why organizational leaders do not always conform to organizational goals. Specifically, we argue that the hectic and fragmented workdays of leaders may increase the likelihood that they violate ethical norms. This highlights the necessity to carefully schedule tasks that may have ethical implications. Similarly, organiza-
tions should be aware that overloading their managers with work may increase the likelihood of their leaders transgressing ethical norms.
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sheng@ceibs.edu

Han, Joo. H., Hui, L., Kim, S. and Han, Jian. forthcoming.

**Abstract:** Drawing upon the theory of contextual influences on organizational behavior (Johns, 2000) and interactionist perspective (Chatman, 1989), we propose that organizational empowerment climate cultivates team leaders’ empowering leadership, which is more pronounced when team leaders’ organizational identification is high and less pronounced when their need for power and narcissism are high. We further propose that the empowering leadership induced by the organizational empowerment climate in turn enhances team members’ job performance, which is more pronounced when team members are high in leader identification, need for power, and narcissism. Analyses of data from 834 team members and 189 teams in 46 organizations reveal that organizational empowerment climate was positively related to team leaders’ empowering leadership particularly when they are high in organizational identification and low in need for power and narcissism. Empowering leadership was found to significantly relate to team members’ job performance particularly when they are high in narcissism. Several theoretical and practical implications are discussed.

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**Abstract:** We investigate whether business groups in China act as internal capital markets, in an environment that is characterized by a high level of government intervention, a weak legal system, and an underdeveloped financial market. We study how institutional factors, such as the ultimate owner and level of market development, shape the role of these business groups. We find that business groups help member firms overcome constraints in raising external capital, and that the internal capital market within a business group is more likely to be an alternative financing channel among state-owned firms than among private firms. We also find that the internal capital market is more likely to help those affiliated firms which are private, local government owned relative to those owned by central government, or located in regions with a well-developed institutional environment. We present evidence of the role of business groups in risk sharing among affiliated firms, but find that business group affiliation has no impact on firm accounting performance. This study sheds new light on the theory of the firm and its boundaries, and provides a better understanding of China’s rapidly growing economy.


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Brockman, Paul, Rui, Oliver (Meng), and Zou, Huan. forthcoming.

"Institutions and the Performance of Politically-Connected M&As". *Journal of International Business Studies.* (FT45).

**Abstract:** We investigate the association between a firm’s political connections and its merger and acquisition (M&A) performance. Using a sample of M&A deals made by politically-connected acquirers and their matched non-connected peers across 22 countries, we find that political connections play an economically significant role in post-merger performance. The nature of this effect depends on the institutional setting. In countries with strong legal systems or low levels of corruption, politically-connected bidders underperform unconnected bidders by roughly 15% in terms of abnormal stock returns over a three-year period. In contrast, politically-connected bidders outperform unconnected bidders by more than 20% in countries with weak legal systems or high levels of corruption. We find more evidence of differential post-merger performance for domestic mergers than for cross-border mergers. Overall, our findings show that political connectedness has a significant influence on M&A activities and the nature of this influence depends crucially on the institutional environment.

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**Paper:** [http://china.ahk.de/chamber/magazines/](http://china.ahk.de/chamber/magazines/)

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Zhang, Jiarui (Corresponding author), and Hou, Lei. Forthcoming. "Financial Structure, Productivity, and Risk of Foreign Direct Investment". *Journal of Comparative Economics.*

**Abstract:** This study investigates how heterogeneous firms choose their lenders when they raise external finance for Foreign Direct Investment (FDI) and how the choice of financing structure affects FDI activities. We establish an asymmetric information model to analyze why certain firms use private bank loans while others use public bonds to finance foreign production. The hidden information is the productivity shock to FDI. Banks are willing to monitor the risk of FDI, while bondholders are not; hence, banks act as a costly middleman that enables firms to avoid excessive risk. We show that firms’ productivity levels, the riskiness of FDI, and the relative costs of bank finance and bond finance are three key determinants of the firm’s financing choice. Countries with higher productivity, higher bank costs, or investment in less risky destinations, use more bond finance than bank finance. These results are supported by evidence from OECD countries.

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Abstract: We draw on the many aspects of corporate governance examined in the developed economies and extend them to the Chinese environment. We find evidence of strong linkage and interdependence in the use of different control mechanisms. While there are significant relations between the governance control mechanisms and performance, these disappear when using simultaneous equation estimation. Our findings support the argument that governance control mechanisms are substitutes for one another and there is no one size that maximizes firms’ performances.

Paper: [link](http://link.springer.com/chapter/10.1007%2F978-3-642-31579-4_2#page-1)

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**Cases**

Su, Xijia, Chen, Jieping (Charles), Yang, Yu, Chen, Shaohui (Sophie), Shao, Dan. 2013. "并购谈判: 联地产与北方信澳 (A) -- 世联地产谈判人员的机密信息". CC-113-056(Eng). CI-113-056(Chn).

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Abstract: This case summarizes key tools and theoretical concepts from macroeconomics, including GDP and balance-of-payment accounting, monetary policy, fiscal policy, exchange rate risk, and a trilemma in the relationship of monetary policy, exchange rates, and capital mobility. It develops issues regarding globalization for managers and business leaders to analyze and discuss.

Paper: [link](http://www.thecasecentre.org/educators/search/results?query=C0F6E5DFCCAD498BC6977221DE657B4F)

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Abstract: Noah Wealth Management was founded by Ms Wang Jingbo, a lady in her mid 30s with a team of less than 20 members in 2005. Exploiting market opportunities offered by a lack of good wealth management products and services, Noah grew rapidly from one to 59 branch offices in 2011, reaching a staff size of 1,031. Noah listed its shares on the New York Stock Exchange in November 2010. In 2011, Noah was ranked No. 38 among the 100 Top Potential Enterprises in China. Nonetheless, Noah faced several problems of internal management during the course of its fast expand-
sion. In the first quarter financial report of 2012, Noah suffered a 52.6 percent decrease in net income over the corresponding period in 2011. Faced with a rapidly declining share price, Noah announced on May 22, 2012 a US $30 million share repurchase program.

DOI: 10.1108/20450621211312929#ethash.PcqwPkgc.dpuf
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Abstract: This is part of a case series. The casual wear industry in China has experienced fast growth in the past decade. Competition intensified as Chinese casual wear brands matured and as established foreign retailers entered the market. The case series has five parts: (A) Introduction; (B) Giordano; (C) Metersbonwe; (D) H&M; (E) Uniqlo.
Paper: http://www.thecasecentre.org/educators/search/results?s=C12A53DCCEDD1A2508357381F18D41C0
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Abstract: This is part of a case series. The casual wear industry in China has experienced fast growth in the past decade. Competition intensified as Chinese casual wear brands matured and as established foreign retailers entered the market. The Swedish company H&M entered the Chinese market only in 2007 but swept the country by doubling the number of its stores every year. As part of a case series, the H&M case discusses how the company’s business model evolved over time to compete in China. The case series has five parts: (A) Introduction; (B) Giordano; (C) Metersbonwe; (D) H&M; (E) Uniqlo.
Paper: http://www.thecasecentre.org/educators/search/results?s=C12A53DCCEDD1A2508357381F18D41C0
Contact: hschutte@ceibs.edu

Abstract: This is part of a case series. The casual wear industry in China has experienced fast growth in the past decade. Competition intensified as Chinese casual wear brands matured and as established foreign retailers entered the market. The Japanese company Uniqlo failed in its early entry into the Chinese market but turned around in 2006 by opening big stores in major shopping malls and launching successful market strategies. As part of a case series, the Uniqlo case discusses how the company’s business model evolved over time to compete in China. The case series has five parts: (A) Introduction; (B) Giordano; (C) Metersbonwe; (D) H&M; (E) Uniqlo.
Paper: http://www.thecasecentre.org/educators/search/results?s=C12A53DCCEDD1A2508357381F18D41C0
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Tsamenyi, Mathew (Visiting Professor, CEIBS Africa); Akua Afful-Kwaw, Patricia. 2013. "Management Accounting at Ashanti Goldfields Corporation". CC-113-006(Eng).
Abstract: Ashanti Goldfields Corporation was set up by two Merchants from Cape Coast, Joseph Ellis and Joseph Biney and their accountant Joseph Brown. In 1895 they reached an agreement with Edwin Cade for the sale of the mine which was then called the Ellis Mine. The Company was listed on the London Stock Exchange shortly after the sale in 1897. Following years of variations in the composition
of the shareholding of the Company, Ashanti Goldfields merged with AngloGold of South Africa in 2004. The merger resulted in the change of name to AngloGold Ashanti.

The management accounting system was initially centralized at the HQ when the HQ was located in London. Even when the HQ was transferred to Accra, things did not improve and this led to frustrations in times of emergencies. The listing on the Stock Exchanges of Ghana, London and New York in 1994 brought some changes in the MA system such as the appointment of financial controllers at the mines who reported to the Chief Operating Officer at the HQ. Each mine was also given more autonomy with output targets provided by the executive board and with the mines determining means of achieving those targets. Overall however these changes did not impact significantly on the use of MA information in the mine. For example, MA information continued to be disregarded in day-to-day operations.

The significant changes in the MA that were noted in the Company occurred after the Company experienced financial crisis in the late 1990s. Unlike the previous practice where cost accountants were disregarded by mine captains and managers, each mining section was assigned a cost accountant to assist the mine captain and managers accumulate their costs and interpret budget performance reports. These were measures put in place to create an awareness of costs at AGC since initially the cost controls were relaxed.

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Awards and Honors

Prof. Jeongwen Chiang, and Prof. Yuxin Chen have been selected as the recipients of the 2012 Paul E. Green Award for their article “Determining Consumers’ Discount Rates with Field Studies,” which appeared in the December 2012 (Volume 48, Number 1) issue of Journal of Marketing Research.  

News: http://www.ceibs.edu/media/archive/112897.shtml  

The research project "Managerial Perks: Are They Costs or Incentives?" by Prof. Yuan Ding, Assistant Prof. Hua Zhang and Yuanyang Song (former RA at CEIBS), has received the 2012 Emerald/IACMR Chinese Management Research Fund Award. 


The research paper “Organizational Empowerment Climate, Leadership, and Job Performance: A Cascading, Contingency Model”, co-authored by Prof. Jian Han, has been selected as this year’s best paper at 2013 Academy of Management Annual Conference, and will be accepted for publication in AoM Best Paper Proceedings.

The research paper "Absorptive Capacity and Mass Customization Capability: The role of customers and suppliers as sources of knowledge", co-authored by Prof. Xiande Zhao, has won the Chris Voss Best Paper Award, which was granted to the best paper presented at the EurOMA Conference, 7th-12th, June,