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Beyond Profit: Valuing People and Society in Business World

How do companies and leaders embrace sustainability with the rise of conscious consumers?



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THIS ISSUE: BEYOND PROFIT: VALUING PEOPLE AND SOCIETY IN BUSINESS WORLD

Driven by the demand for sustainable practices, companies worldwide are adopting green initiatives, promoting diversity and inclusion, and empowering society in their blueprints. How will businesses continue to innovate and stay ahead? Explore our cutting-edge research on today's business strategy trends.

Deriving True Wealth from Making a Difference in Other People's Lives

Norris Lam (IBBA 1997), partner at Forbes Global and a financial industry veteran, has spent much of her illustrious career managing investments with astronomical values. Despite having been immersed in the dizzying world of finance, Norris refuses to be enslaved by money; she would rather create a profound impact with it than amass enormous wealth.

By founding the charity "Youth Arch Foundation", training local youth and personally visiting AIDS orphans in Mainland China, Norris exemplifies the concept of "influencing other people's lives with her own".

Changing Life's Trajectory

Norris, who was dressed in a simple, white casual dress, has held key positions at various financial institutions in the US, UK and Hong Kong over the last two decades, including Guggenheim Partners and HSBC. However, she did not exude the aloofness of a dominant leader; rather, she recounted one life story after another with a warm smile and a gentle but assertive voice.

Before her family relocated to Hong Kong from Xiamen when she was seven years old, Norris's father had been a doctor and her mother a teacher. On moving to Hong Kong, her parents became factory workers, and they lived in a small sublet flat. This transformative life change taught Norris that nothing is certain in life and that she must work hard to secure a better future. When she was in Form 4, she received the Hong Kong Outstanding Students Award. Norris didn't attend prestigious schools like the other recipients, yet her unique affability earned her the nomination to lead the Hong Kong Outstanding Students' Association. "People often say smart people are difficult to get along with," she said. "Perhaps I lack that arrogance; I've always managed to make friends."

Norris joked that she was a "gifted salesperson" who discovered her talent when she was young. During her first year at university, Norris took a summer job at IBM with a hope to finance her overseas exchange. She was put in charge of calling clients to promote the company's products and services. In the span of a short summer holiday, she made sales worth tens of millions of dollars. Norris could have made a fortune if she had continued down the route of sales, but she refused to rest on her laurels, "It's a waste of time doing what you are best at when you are young. If you want to be successful, you must learn a variety of skills. I always reflect on my weaknesses in order to make targeted improvements."

As someone who is not proficient in maths, Norris deliberately studied various financial subjects to build up her competence. When she graduated from CUHK, she had already received several traineeship offers from

investment banks and the HSBC Asset Management global programme. The former would immediately lead to a substantial salary and bonus, whereas the latter had only three quotas worldwide but required her to work in London, New York and Hong Kong, all of which came with their own set of uncertainties. At this daunting crossroads, Norris chose personal development over financial gain, "Going on exchanges in Mainland China and overseas allowed me to see my shortcomings and learn that there are always bigger fish in the sea. I was eager to visit new places, meet new people, learn new skills and broaden my international horizons." Norris's humble, inquisitive attitude led her around the world and propelled her to become a pioneer in alternative investment, generating massive profits for her companies while grooming future industry talent.

Making Effective Use of Money to Create Greater Impact

Throughout her decades-long career in financial investment, Norris has excelled at matching investors with projects. She has also devoted her resource allocation skills to charity work, helping a number of organisations secure resources for sustainable development and achieve greater impact with scarce money. When the founder of the Hong Kong Outstanding Students Award, Ms. Doreen Leung, passed away in 2009, Norris established the Youth Arch Foundation to give back by promoting youth development and passing on the spirit of philanthropy.



▲ Norris said she enjoys interacting with others, from which she learns to appreciate the strengths of others and acquire new knowledge.



“ I firmly believe that giving is outstanding. ”

— Norris Lam (IBBA 1997)

All of this happened organically. Norris acknowledged that, in addition to being a recipient of philanthropy herself, family education played an important role. “My mum was always helping others. When she was a teacher, she used to invite students who didn’t have enough to eat to our home for meals. She would also pay for those who couldn’t afford their tuition.” Norris now teaches her two children the same. She recently took her ten-year-old son to visit an AIDS village on the Mainland. She witnessed his transformation as a result of the trip, learning to be grateful and willing to give. “He told me we should donate our clothes because he saw children in the AIDS village wearing the same clothes for two days.”

Norris believes that instilling the right values in future generations and training their minds can change not only the lives of children, but also the futures of entire

families. She has gradually introduced the concept of money to her son as well, “It’s enough to earn as much as you need to maintain your desired standard of living, and a little bit more to meet unexpected needs. Of course, everyone’s ideal standard of living differs; the idea is to define it for yourself.”

Focusing on Shortfalls and Investing in the Future

Looking back at her time at CUHK, Norris was most grateful for the opportunity to travel abroad, which opened her eyes and spurred her academic and personal development. She maintained that young people should not only concentrate on what they do well. In this rapidly changing world, they should gain more experiences and challenge themselves. “We should set our sights on ‘what’s next’ rather than ‘what’s here’. Investing in the future is far more meaningful than achieving short-term gains.”



▲ Norris, who is currently a director of the Chi Heng Foundation, has been concerned about the situation of Mainland China’s AIDS villages for many years. She frequently takes Hong Kong outstanding students to visit the villages (pictured on the left). Recently, she visited one with her son to instil empathy in him from a young age.

The Unstoppable Rise of Sustainable Investing



Direct exposure to global warming influences retail investors, while institutional investors divest from high-emission stocks in response to growing awareness of climate change risks

Climate change is slowly transforming our living environment, but it is not unusual for many people not to take this seriously until they experience it on a personal level. Due to the limited span of attention that everyone possesses, individuals are inclined to concentrate more effectively on infrequent dramatic changes rather than frequent gradual changes.

Therefore, extreme local temperatures, such as the hottest summer on record for Europe and China in 2023, may serve as a “wake-up call” for people to realise the full extent of climate change risks. Consider that Hong Kong recorded its hottest day ever in September 2023, with the temperature exceeding 34 degrees Celsius, and a report from The European Space Agency estimated that temperatures in Italy exceeded 50 degrees Celsius.

In September 2022, more than 500 institutional investors with US\$39 trillion in assets under management signed a statement, advocating for governments to implement ambitious policies to combat the climate crisis effectively. EY Global Corporate Reporting Survey 2022 found that 78% of investors prioritise environmental, social, and governance (ESG) initiatives over short-term profits, although only 55% of businesses are willing to align their focus accordingly.

So how do investors react to abnormal local temperatures? Do people’s attention to global warming affect financial markets?

How Climate Change Sways Markets

In the study titled *Attention to Global Warming*, Associate Professors in the Department of Finance at the Chinese University of Hong Kong (CUHK) Business School, Darwin Choi, Zhenyu Gao and Wenxi Jiang, analysed temperature and financial data in 74 cities with major stock exchanges, including London, New York, and Hong Kong.

The team found that the volume of Google searches for the term “global warming” increased when people were experiencing unusually warmer weather, and that people living in cities with higher abnormal temperatures were more likely to search for relevant information than those living in cities with lower temperatures. Investors in these cities also adjusted their trading activities. The researchers found that carbon-intensive firms earn lower stock returns than those with low carbon footprints during abnormally warm weather.

“Our research suggested that it is only by appealing to the personal and salient experiences of individuals can the challenge of global warming be most effectively tackled,” says Prof. Choi.

Investors also tended to sell stocks that are highly sensitive to climate change, such as those that belong to industries identified as major emission sources by the Intergovernmental Panel on Climate Change (IPCC), an intergovernmental body of the United Nations established to assess the science related to

global warming, or if they have higher carbon emission levels relative to industry peers as estimated by MSCI ESG ratings. On the other hand, investors tend to buy stocks that are less climate change-sensitive as they outperform the former.

The researchers also found that not all investors act in the same way. Their findings indicated that retail investors tend to be more easily affected by abnormal weather, but no evidence that the same was true for institutional investors.

As a critical long-term issue, global warming requires collective human action. The study indicated that the most effective approach to addressing this challenge is by connecting with individuals through their personal and significant experiences, such as by using maps to demonstrate how the potential rise in the sea levels as temperatures rise will affect everyone. The researchers expect that when the general population has a better understanding of the severity of global warming, the link between abnormally warm weather and stock prices will weaken.

Power of Institutional Investors

As large market participants, the actions of institutional investors such as banks, mutual funds, pensions and insurance companies strongly influence the overall market. But how do they react to climate change?

In another research, *Measuring the Carbon Exposure of Institutional Investors*, Prof. Choi, Prof. Gao, and Prof. Jiang sought to analyse institutional investor exposure to stocks of carbon-intensive US firms, and to systematically examine whether they reduced their vulnerability to climate change as the world became increasingly concerned about its effects.

Using the IPCC-based classification to identify all US stocks, the team then analysed how institutional investors reacted to climate risks. The results found that, in the past two decades or so, large-scale investors have generally reduced their holdings in high-emission companies, from overweighting the stocks of high-emission firms, relative to the market, by 0.5 percent in 2001 to underweighting them by 0.2 percent to 0.7 percent since 2015.

“Our findings support the notion that institutional investors are generally becoming more aware of climate risks and actively avoid industries with high carbon footprints.”

— Prof. Zhenyu Gao

This decline has coincided with the mainstreaming of calls for institutional investors to divest fossil fuel-related holdings and to invest in renewable energy, around the same time. The research findings indicate that institutional investors are increasingly recognising climate risks and actively avoiding industries with significant carbon footprints, similar to how

they approach “sin” stocks like tobacco, alcohol, and gambling based on ethical considerations.

The researchers also extended their analysis to before 2000, but they did not see a corresponding decline in institutional ownership of high-emission stocks, presumably because climate change was less of a concern at that time. This result complements their previous research on the impact of global warming on retail investors, suggesting that both individual and institutional investors are increasingly taking heed of climate risks in their decision-making.

Impact of Regulatory Risk

While many studies have shown how climate change affects the portfolio choices of institutional investors, less is known about its impact on the investment decisions of individual households. In a study titled *Climate Change and Households’ Risk-Taking*, Prof. Gao and Chanik Jo, Assistant Professor in the same department, sought to answer these questions by focusing on regulatory risk.

Prof. Gao and Prof. Jo looked at whether high-emission households in the US adjusted their investment portfolios following the adoption of climate change-related action plans in the states they live in. For example, Florida introduced an energy and climate change plan in 2008 that contained 50 policy recommendations to reduce greenhouse gas emissions. Compared to other families, the study found that the adoption of such a plan resulted in high-emission households reducing their holdings of risky assets by 15 percent.

The researchers then found that more stringent climate regulations resulted in a more significant reduction in holdings of risky assets by high-emission households. The data showed that a one standard deviation increase in the level of stringency in enforcement by the US Environmental Protection Agency led to a reduction of holdings of risky assets by 2.75 percent. The adoption of climate-related action plans or changes in enforcement did not affect the investment choices of households that are not employed in high-emission industries.

Additionally, another significant implication of the findings is that climate regulations may have unintended consequences for households in high-emission industries, which tend to be less wealthy, younger, and less well-educated. However, this does not necessarily mean that society is generally worse off as a result of climate regulations.

“We found that climate regulations may reinforce wealth inequality by deterring less wealthy households from participating in stock markets,” says Prof. Jo.

To mitigate exposure to climate change risks, households may choose to leave a high-emission industry altogether. When climate change regulatory risks rise, the study found a significant movement among households to work in companies that are considered less polluting. Households that switch industries allocate more money to risky assets than those that stay in high-emission sectors.

Therefore, it is important for policymakers to understand the implementation of climate regulations in a manner that does not increase income risks for households employed in industries most affected by climate change regulations.



Prof. Darwin Choi

Prof. Darwin Choi is an Associate Professor in the Department of Finance and Associate Director of the Centre for Business Sustainability. He received his PhD degree in finance from Yale University and BS in Economics and BS in Engineering degrees from the University of Pennsylvania. His recent work focuses on climate finance and other ESG issues.



Prof. Zhenyu Gao

Prof. Zhenyu Gao is an Associate Professor in the Department of Finance. He received his PhD in Economics from Princeton University and MA in Economics as well as BS in Astrophysics from Peking University. His primary research interests are in asset pricing, behavioural finance, real estate finance, and Chinese economy.



Prof. Wenxi Jiang

Prof. Wenxi Jiang is an Associate Professor in the Department of Finance. He obtained a PhD in Financial Economics from Yale University and a bachelor’s degree from Renmin University of China. His research interests include asset pricing, institutional investors, and behavioural finance.



Prof. Chanik Jo

Prof. Chanik Jo is an Assistant Professor in the Department of Finance. He received his PhD in Finance from the University of Toronto, MS in Management Engineering from The Korea Advanced Institute of Science and Technology, and BBA/BE from Sogang University. His research focuses on the intersection of asset pricing and household finance.

Putting Healthy, Low-emission Food on the Menu

**New study finds “green consumerism”
is alive and well in China, with
consumers willing to pay more for
sustainable food**

The 17 Sustainable Development Goals (SDG), which form the United Nations’ Post-2015 Development Agenda, are designed to provide a blueprint for achieving global peace and prosperity by 2030. Central to the agenda is the second SDG, which aims to “end hunger, achieve food security and improved nutrition, and promote sustainable agriculture.”

Meeting such policy objectives is critical to the prospects of many developing countries, as well as emerging economic powerhouses such as China, but they also pose a formidable challenge. Global food production is predicted to more than double by 2050, to meet growing demand that comes mainly from developing countries, as the world’s population, which reached eight billion in 2022, expands by around 0.8 percent per year.

Not only does the speed of population growth make the goal of food security hard to achieve, but demand for carbon-intensive meat products in developing countries tends to increase as they become richer. This trend, which is accelerating in China, following decades of rapid economic growth, can result in significant environmental damage, thereby frustrating the goal of making agriculture more sustainable.

A Growing Demand of Animal Protein

As populations switch to a Western-style diet, there is also a growing demand from consumers for beef and dairy products instead of other forms of animal protein. However, previous research shows that cattle farming results in eight times more greenhouse gas emissions per 100g of protein than the production of chicken or fish.

So how can food production be made more environmentally sustainable and resilient, while also feeding more people more effectively? A novel approach to cracking this conundrum that has emerged over recent years is focused on changing consumption patterns away from carbon-intensive foods such as meat and dairy products and towards sustainable foodstuffs. But can consumers actually be motivated to change their behaviour?

A timely new study from the Chinese University of Hong Kong (CUHK) has addressed this question by investigating the factors that motivate consumers in China to purchase food which is produced in a way that protects the environment, conserves natural resources such as air, energy and water, and uses less energy.

Entitled *The Future of Sustainable Food Production in China*, the study was conducted by Francisco Cisternas, Assistant Professor in the Department of Marketing at CUHK Business School; in partnership with five other CUHK academics. They are Prof. Honming Lam and Dr. Carolina Andrea Contador Sarriego of School of Life Sciences; Prof. Shelly Lap-ah Tse, Dr. Shuyuan Yang and Dr. Zhiguang Liu of the Jockey Club School of Public Health and Primary Care; scholars from other universities in China, Canada and the UK also took part.

Attitudes and Social Norms Affect Consumer’s Choice

The researchers theorised that consumers’ willingness to purchase environmentally friendly food is determined by their intentions, which in turn are affected by their attitude towards such purchasing behaviour; the social norms to which they are exposed; the degree of perceived control over their ability to make such purchases; and their perceptions of the food’s quality.

To test out the theory, they conducted a face-to-face survey of 2,422 Chinese consumers in rural and urban districts across five provinces, spanning northern and southern China, who formed a representative sample of the whole population. The five cities involved – Beijing, Nanchang, Xi’an, Taiyuan, and Shenyang – were chosen to reflect different income levels across China.

Respondents’ behavioural attitudes were measured in terms of their degree of concern about deforestation, drying lakes and rivers, and other damage caused by the use of land and water resources for agricultural production; while social norms were assessed by examining the extent to which participants were influenced to buy sustainable food by pressure from government bodies, the media, experts, international agencies, and social media commentators.

Perceived behavioural control was measured in terms of the cost and convenience of making purchases and participants’ views on certification systems and purchase conditions. The perceived quality of sustainable food was assessed by examining their views on the ingredients, nutritional values and health benefits of the food, plus their degree of trust in certification schemes. Certification agencies involved in the study included international agencies, the Chinese central government, and local universities and scientific institutions.

“Consumers inclined to buy sustainable food are highly concerned about the impact of their food consumption on the environment, rather than simply considering personal benefits such as food safety. They limit their demand for non-sustainable food and replace their needs with sustainable alternatives.”

— Prof. Francisco Cisternas

Consumers Prioritise Environment in Food Purchases

“The results confirm that Chinese consumers are inclined to purchase sustainable food,” says Prof. Cisternas. “Among the four factors, behavioural attitude contributed most to people’s willingness to buy sustainable food.”

Prof. Cisternas says this willingness to spend more for sustainable food may be a form of the sort of “green consumerism” that prompts people to buy fair trade products, which cost more without necessarily offering better quality, yet still provide consumer satisfaction.

The second biggest impact on people’s willingness to purchase sustainable food was from social norms, with government promotions, and information in the media and on social media from experts, academics and commentators all influencing their readiness to pay more for environmentally friendly food, the study found.

Perceived quality also played a part, with nutritional values, and health and nutritional benefits having more impact than the simple ingredients of the food, while lower levels of perceived behavioural control – partly measured by the distance between a participant’s home and markets stocking sustainable food – had the expected negative impact.

Enhancing Food Certifications Builds Trust in Sustainable Consumption

“The result showed that greater difficulty in accessing sustainable food reduced participants’ willingness to purchase such food,” says Prof. Cisternas. “This indicates that making it more convenient to purchase sustainable food would boost consumers’ intention to buy these items.”

The study also found that participants’ willingness to buy sustainable food was affected by the type of certification scheme it was covered by, with consumers placing most trust in certification by the Chinese central government. However, compared to consumers in other countries, Chinese consumers had a lower level of trust in food certification schemes overall.

Prof. Cisternas says the findings, which can be generalised to the whole population of China – and similar countries and regions – due to the representative nature of the survey, have implications for food policy.

“Information disseminated through the media and social media by government bodies, experts, international agencies, and commentators is more likely to influence consumers, when the organisations concerned are considered trustworthy,” he says.

“The government should work together with other agencies to boost consumers’ trust in sustainable food by ensuring that the information provided is scientifically-based, accurate, comprehensive and communicated effectively. Further improvements to certification schemes and better regulation and compliance monitoring may also help to build trust.”



Prof. Francisco Cisternas

Prof. Francisco Cisternas is an Assistant Professor of Department of Marketing. He received his PhD in Business Administration (Marketing) from Carnegie Mellon University, and a BS in Industrial Engineering and MS in Operation Management from the University of Chile. His research focuses on modelling the interactions between the digital and physical channels using big data. His research applications include financial, sports and retail industries. Prof. Cisternas’ work was awarded two research grants from the PNC Centre for Financial Services and Innovations and was distinguished with the Dipankar and Sharmila Chakravarti fellowship for his contributions to research in marketing.

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Why is Workplace Equality Good for Business?



A new study reveals that US households spend more on products from firms that prioritise corporate workplace equality, especially after major social events

Which would you choose: a bag produced by a firm known for its equal treatment of all staff or a bag produced by a company currently embroiled in a discrimination scandal? Conscious consumers, who prioritise ethical, social, and environmentally friendly products when making purchasing decisions, would likely choose the former.

A report indicates that 79 percent of respondents believe sustainability is either “somewhat important” or “very important” when making purchasing decisions. Additionally, 68 percent express a willingness to pay more for environmentally sustainable and socially responsible products.

Given the rise of conscious consumers in recent years, companies should look beyond product quality and consider Environmental, Social, and Governance (ESG) or Corporate Social Responsibility (CSR) factors. While previous research has shown that strong ESG or CSR practices can decrease a firm’s risk exposure, the direct cash flow implications of such practices are still unclear.

Researchers from the Chinese University of Hong Kong (CUHK) recently aimed to understand how the purchasing decisions of conscious consumers who value ESG and CSR can directly impact a company’s cash flow.

The study, *The Rise of Conscious Consumers: The Impact of Corporate Workplace Equality on Household Spending*, was conducted by Ling Cen, Associate Professor of Finance, and Jing Wu, Associate Professor of Decisions, Operations, and Technology, both at CUHK Business School. They were joined by Yanru Han, a PhD graduate from CUHK Business School (placed at Stevens Institute of Technology as an Assistant Professor of Finance), and Chang Liu, a PhD candidate from City University of Hong Kong.

“There’s a significant uptrend in ESG investment. Do investors like firms with good ESG practices purely based on their preferences? Or, a company’s ESG strategy truly benefit investors in generating higher returns? If so, does ESG contribute to higher returns by affecting the risk component or the cash-flow component, or both?” says Prof. Cen. He expressed interest in exploring potential long-term economic incentives for companies to adopt ESG strategies.

Existing studies offer varied insights on the influence of ESG strategy on corporate operating performance. This research hones in on corporate workplace equality to gauge its effect on consumers’ buying habits. “This approach demystifies how specific ESG strategies can impact a company’s bottom line.

Cash flow is a direct barometer of a company’s financial health,” adds Prof. Wu.

Measures to Evaluate Workplace Equality

To address these inquiries, the researchers developed a measure of corporate workplace equality, known as the Equal Employment Opportunity (EEO) Score. This metric is based on the textual analysis of EEO statements found in millions of US online job listings.

“Our EEO Score delves deeper than merely looking at diversity and equality at the executive level. It gauges workplace equality practices for the broader workforce,” Prof. Cen says, emphasising the public’s greater concern for the rights of everyday employees over board members.

Prof. Wu adds, “Our EEO Score zeroes in on workplace equality for the average worker, filling a gap left by prior studies that centred on upper-tier corporate roles.”

The researchers highlight that their algorithm assigns higher EEO Scores to companies that make detailed, genuine, and enthusiastic EEO pledges in their job listings. While skeptics might dismiss online job listings as mere corporate rhetoric, the researchers have undertaken multiple validation steps to alleviate such concerns.

They underscored the EEO Score’s accuracy by demonstrating its foresight in predicting future discrimination-related litigation and headlines. They also pointed out the inherent costs that discourage companies with low equality standings from merely parroting those with higher commitments.

“The market harshly punishes discrepancies between a firm’s declared commitment to and actual practices of workplace equality,” Prof. Wu says, emphasising the gravity of making an EEO commitment.

Consumers Favour Companies that Champion Equality

The next phase involved correlating household buying decisions with the EEO Scores of product manufacturers. They tapped into Nielsen Consumer Panel data that captured consumer behaviour of individual household.

“Our research delves deeper than merely looking at diversity and equality at the executive level. It gauges workplace equality practices for the broader workforce. ”

— Prof. Ling Cen

Findings were consistent with their hypothesis: US households tend to spend more on products from companies that score high on workplace equality. However, Prof. Cen highlights the presence of potential confounding factors in the positive correlation between household purchase decisions and EEO Scores, such as product quality. In other words, consumers might choose products from companies with high EEO scores solely because firms with better workplace equality practices also offer better product quality.

He adds, "To mitigate the endogeneity in this positive correlation between corporate workplace equality and household consumption, we looked at whether minority consumers displayed a heightened sensitivity in their spending patterns toward producers that championed workplace equality."

As hypothesised, the pro-equality spending trend was more pronounced among racial or gender minority consumers.

“ The market harshly punishes discrepancies between a firm’s declared commitment to and actual practices of workplace equality. ”

— Prof. Jing Wu

To further solidify their findings, the researchers employed two methods based on exogenous social events. First, they observed a spending boost on products from California-based firms post the 2018 enactment of the California Gender Board Diversity Law. Next, they noticed that the linkage between household expenditure and a producer’s EEO Score generally strengthened post-societal events that heightened equality awareness, like the #MeToo movement in 2017 and the Black Lives Matter movement in 2020.

In summary, the research underscores the tangible cash flow benefits of corporate workplace equality. Prof. Cen admits that the current buying surge, led by racial and gender minority consumers, doesn’t ensure a direct short-term boost in spending as a result of improved workplace equality. However, he believes that as consumer consciousness around equality becomes more widespread, firms will invariably see the financial advantages of ESG strategy adoption.



Prof. Ling Cen

Prof. Ling Cen is an Associate Professor of the Department of Finance. His early research was mainly on behavioural finance. He recently conducted interdisciplinary studies of corporate finance and operations management, focusing on the role of supply-chain relationships in various aspects of corporate decisions. Prof. Cen is also interested in the role of buy-side and sell-side analysts in earnings conference calls. His papers have been published in the Journal of Financial Economics, Management Science, The Accounting Review, Journal of Financial and Quantitative Analysis, and Review of Finance.



Prof. Jing Wu

Prof. Jing Wu is an Associate Professor of the Department of Decisions, Operations and Technology, and the Director of the Asian Institute of Supply Chains and Logistics’ Institute Development Office. He received his PhD and MBA from the University of Chicago Booth School of Business. Prof. Wu’s primary research fields are the operations-finance interface, global supply chains, FinTech, and business intelligence. His papers are published in leading journals such as Management Science, M&SOM, and POMS. In addition, his research is featured in business magazines such as MIT Sloan Management Review, the Economist, and Forbes.

How Feeling Good Can Lead to Doing Good



New study finds that a CEO’s emotional profile has a notable impact on their company’s uptake of corporate social responsibility initiatives

When Larry Fink, founder and CEO of BlackRock, the world's largest asset manager, announced that the company would place environmental sustainability at the centre of its investment strategy, it sent shockwaves through corporate America.

Radical measures pledged in his annual letter to CEOs included exiting from investments in coal production and requiring all client companies to publish reports on their environmental sustainability standards by the end of the year.

In a subsequent interview, Fink said: "It is the hardest letter I have ever written. And I do believe I became more emotional as I wrote about what we need to do – and more importantly the reflection on my 40-odd years of being in finance."

CEOs are key players in the adoption of Corporate Social Responsibility (CSR) measures by companies large and small. The decision-making processes that spur them to launch CSR initiatives have been analysed by business schools for many years.

To date, such studies have largely focused on the rational, deliberative aspects of making decisions, but many leading psychologists today favour a dual-process approach to decision-making, which involves both emotional and deliberative mechanisms operating in parallel.

For this reason, a group of researchers at the Chinese University of Hong Kong (CUHK) and partner institutions set out to investigate the impact of CEOs' emotional characteristics on their companies' readiness to engage in CSR. Could it be that CEOs who are emotionally engaged in a positive way are more likely to launch CSR initiatives than those with more negative moods and emotions?

The study, *Does CEO Emotion Matter? CEO Affectivity And Corporate Social Responsibility*, was conducted by Prof. Ya Lin at CUHK Business School's Department of Management, and Prof. Haibin Yang, of the same department, along with Prof. Huazhong Zhao of City University of Hong Kong, Prof. Linlin Wang of Nankai University, and Prof. Wan Jiang of Tianjin University.

The researchers defined CEO affectivity as CEOs' relatively stable and underlying tendency to experience positive and negative emotions, and categorised it into two opposite dimensions: positive affectivity and negative affectivity.

“ When CEOs make decisions for CSR, they need to be aware of the fact that their emotions may play a role in their decisions. ”

— Prof. Ya Lin

"In other words, they may minimise the subjective influence of their emotions on their firms' CSR decisions, and rather take a more objective view towards CSR," Prof. Lin says.

Transformative Power of Positive Emotions

The study draws on the broaden-and-build theory that was developed in the late 1990s by psychologist Barbara Fredrickson. The theory, which forms part of the positive psychology oeuvre, posits that positive affectivity expands attention to increase receptivity and openness and thereby fuels more flexible problem-solving actions, while negative affectivity narrows and constricts attention.

"Our study is one of the first to unearth the intriguing relationship between CEO affectivity and corporate social responsibility," says Prof. Lin. "It is also among the first to draw on the 'broaden-and-build theory' to examine company performance, thereby contributing to the micro-foundations of CSR research."

CEOs with high positive affectivity are more interested in observing the behaviour of others. This equips them with a clearer perception of the existence and demands of the multiple stakeholders in their environment and allows them to cater to the needs of such stakeholders.

"They also tend to embrace more inclusive social categories and use a more expansive definition of in-group members, so they are likely to implement more CSR because they include more stakeholders in their social circles," she adds.

By contrast, the broaden-and-build theory proposes that negative affectivity will narrow people's thought-action repertoire. The researchers predict that CEOs with high negative affectivity are more likely to withdraw into a self-protective stance, care only about the organisation's private goals, and attend less to the interests of stakeholders. They therefore posit a negative relationship between negative affectivity and the firm's CSR engagement.

The study examined CSR data from S&P 500 firms from 2001 to 2013 and compared it with indicators of CEO affectivity from a range of executive, corporate and financial databases, including Mergent Online, ExecuComp and BoardEx. A total of 2,934 observations were made across the years studied.

CEOs' positive and negative affectivities were measured through analysis of letters to shareholders, written annually by CEOs and typically included in companies' annual reports. The letters were analysed using Linguistic Inquiry and Word Count software to determine the percentage of positive and negative words that each one contained.

The researchers also used data from an investment research and management firm Kinder, Lydenberg, Domini & Co, or KLD, on firms' CSR activities in six dimensions, including

community, diversity, employee relations, environment, human rights, and product quality ratings. Each of the dimensions has different categories of CSR strengths and concerns (weaknesses).

"Since we are focusing on firms' CSR contributions, we created a weighted measure of CSR based on the 'strengths' category," says Prof. Lin. "For each firm-year, we divided the score of strengths across all six CSR dimensions by the sum of the maximum possible strengths score across these six dimensions. We then summed the scaled strengths to obtain CSR engagement."

The study found that CEO positive affectivity was positively associated with CSR, and CEO negative affectivity was negatively associated with CSR. At a practical level, going from a low level of CEO positive affectivity to a high level would result in a 7.4 percent increase in the amount of CSR taking place. Conversely, going from a low level of CEO negative affectivity to a high level, would reduce CSR activity by 7.8 percent.

Impact of Social Capital

The study also investigated whether the amount of social capital that CEOs possess has an impact on the relationship between their affectivity and the amount of CSR that their companies undertake, either strengthening or weakening it. Social capital was defined as the number of social connections gained in areas such as education, employment, professional associations and social clubs that a CEO has, as obtained through the BoardEx, which holds in-depth profiles of more than one million of the world's business leaders.

"We propose that CEO social capital can provide critical social resources that sustain an upward spiral of the broadening effect that is elicited by CEO positive affectivity and that they help to direct expansive CEO social capital towards diverse stakeholder needs," says Prof. Lin. "In a similar vein, we also propose that CEO social capital countervails the narrowed attention arising from CEO negative affectivity towards stakeholder needs."

CEO social capital was found to moderate the impact of CEO affectivity on CSR. There was a strong positive relationship between CEO positive affectivity and CSR when social capital was high, but a negligible effect when social capital was low. Conversely, the effect of CEO negative affectivity on CSR was negligible when social capital was high, but there was a strong negative relationship between negative affectivity and CSR when social capital was low.

The results were shown to be robust against a battery of experimental control measures.

"In addition, our findings show that CEO social capital can boost the impact of CEO positive affectivity on CSR, as well as weakening the impact of negative affectivity," she adds. "In this way, it has uncovered important boundary conditions for understanding how broaden-and-build theory operates in relation to CEO affectivity and CSR."

Prof. Lin says the study has important practical implications for CEOs. Further, if stakeholders or the board emphasise the importance of CSR, they may look for CEOs with more positive affectivity as these CEOs are more inclined to conduct such activities. Also, CEOs with better social connections are able to reach out to different stakeholders and address the needs of their stakeholders via CSR.

"To summarise, CEOs with positive affectivity, coupled with strong social capital, are better prepared for CSR activities."



Prof. Ya Lin

Prof. Ya Lin is an Assistant Professor of Department of Management. She received her PhD from the Hong Kong University of Science and Technology. Her research passion resides in corporate strategies, innovation, international business and entrepreneurship. Specifically, she explores the micro-foundations of CEOs' decision making and also the impacts of social networks on firm outcomes. She has published several papers in top-tier management journals such as Strategic Management Journal, Journal of International Business Studies, and Production and Operations Management.



Prof. Haibin Yang

Prof. Haibin Yang is a Professor of Department of Management. He received his PhD in Strategic Management from University of Texas at Dallas. His research interests include strategic networks, innovation, entrepreneurship, and transition economy. His teaching interests are strategic management, international business, and China business. Prof. Yang's research works have appeared in various top-tier management journals such as Academy of Management Journal, Strategic Management Journal, and Management Science. He was named the Chang-Jiang Scholar Chair Professor in 2016.



▲ From left: Dr. Andrew Yuen (BBA 1999), Sean Tam (IBCE 2021) and Prof. Michael Fung

More than Business:

Beliefs that Transcend Generations

It is often said that “business is business”, a rational pursuit purely focused on business management and value and benefit calculation. Yet business is also about human activities in modern societies, in which humans and their beliefs drive all kinds of interactions and value creation that ultimately lead to success.

Throughout its 60-year history, the Chinese University of Hong Kong (CUHK) and CUHK Business School have profoundly influenced generations of students. The university’s distinctive collegiate system and spirit of humanity and business have enabled students to navigate the business world and engender novel opportunities across sectors.

Prof. Michael Fung (BSSc in Economics 1985), professor at the Department of Decision Sciences and Managerial Economics, Dr. Andrew Yuen (MPhil in Business Economics 2003, Integrated BBA 1999), senior lecturer, and Sean Tam (International Business and Chinese Enterprise 2021), a recent graduate from the School, attended CUHK in different eras. They all met at CUHK Business School and bonded over their special cross-generational student-teacher relationships, with Prof. Fung teaching Dr. Yuen, who later taught Sean Tam.

Collegiate System Fosters CUHKer Identity

Prof. Fung’s affection for his alma mater has not waned even nearly 40 years after graduation. He believes that CUHK’s collegiate system has created a one-of-a-kind network of relationships. Besides promoting knowledge and encouraging the exchange of experiences, this network has provided a platform to unite alumni from various eras, enabling them to bond and foster a sense of belonging unique to CUHK and the Business School, and an identity that has become a core pillar of their lives.



Dr. Andrew Yuen and Sean Tam, members of successive generations, are grateful for what this family has given them. Even after graduation, they wear their CUHKer identity on their sleeves and continue to give back to their alma mater, carrying on the Business School’s fine tradition.

Humanistic Philosophy Promotes Credibility and Commitment

Prof. Fung believes that mutual trust is the foundation of business behaviour. He encourages Business School students to challenge themselves in their studies and learn from their mistakes to become more credible.

Dr. Yuen, meanwhile, sees business knowledge as a tool that can be used not only to make profit but also to help people create personal and communal value, improving society as a whole. Just as CUHK Business School underscores the spirit of humanity and business, he believes that the more successful an enterprise becomes, the more resources it commands, the greater the social responsibility it should assume.



Sean, a recent graduate who returns to campus regularly to share his learning experiences, believes not only that CUHK Business School promotes the transfer of knowledge, but that its long history and spirit of heritage have inspired him to value humanistic philosophy and multidimensional thinking.

Rising to the Rapid Changes in Times

In recent years, technology and artificial intelligence have disrupted the global business community and human life. Both Prof. Fung and Dr. Yuen encourage students to make the best use of technology, to be open-minded and to embrace the new era's plethora of opportunities.

Sean was inspired by these two mentors and had participated in overseas exchange trips and business competitions while minoring in other subjects, with the goal of broadening his horizons and gaining new experiences. After graduating from CUHK Business School, Sean joined a leading international technology firm, putting his education to practical use.



▲ During his studies at CUHK, Sean Tam seized every global learning opportunity to broaden his horizons.

With a relationship and shared experiences spanning three generations, these teachers and students have borne witness to the ceaseless progress of CUHK Business School over the last 60 years.



WATCH PROF. FUNG, DR. YUEN AND SEAN'S INTERTWINING STORIES



EMBA

LOOK FORWARD
看·建未來

Transform with Executive Peers

No.1
Alumni Career Progress in Asia Pacific
*Financial Times EMBA Rankings 2023

20+
Diversified Industries per Class

30
Years of Excellence in EMBA Education

Change begins here



From left: Winona Lo (EMBA 2019),
Angela Gosari (IBCE 2023), and
Loretta Fong (PACC 1993) ▶

Leading with Wisdom and Poise, Fulfilling Ambition with Integrity

Hong Kong's remarkable journey of development has nurtured talent from all walks of life, regardless of gender, creating a diverse and thriving ecosystem that has underpinned the city's success. Over the decades, Hong Kong has witnessed the rise of exceptional women leaders who have contributed significantly to business and other sectors. Simultaneously, generations of women from various backgrounds have sought education and enlightenment at the Chinese University of Hong Kong (CUHK) Business School, where they have gained valuable insights into business and management as well as a broader outlook on the world. These women have gone on to become professionals and business leaders, injecting dynamic vitality into the city's continuous growth.

Loretta Fong (PACC 1993), President of the Hong Kong Institute of Certified Public Accountants (HKICPA) and Sustainability Deputy Leader of PwC Mainland China and Hong Kong, Winona Lo (EMBA 2019), Executive Director of Fuk Yuen Group, and Angela Gosari (IBCE 2023) attended CUHK Business School during different eras. All of them express deep appreciation for the opportunities and personal growth they experienced in CUHK's people-centric and intellectually vibrant environment.

Loretta said CUHK's motto and the Business School's core values have had a profound impact on her career and her outlook on life. Her journey, marked by dedication and sincerity, began as an outstanding student, which led her to join one of the Big Four accounting firms after graduation. Despite the male-dominated landscape at the time, Loretta persevered, climbing the ranks to become a partner and serving in various esteemed positions appointed by the Hong Kong government along the way. In recent years, she was elected as President of the HKICPA, steering the profession towards new horizons while continuing to provide invaluable services to Hong Kong and Greater China.

Loretta recognises the unique strengths that women bring to the business world: an innate attentiveness combined with assertiveness when needed; and the ability to make tough decisions while gracefully handling challenges and difficult clients or situations with a "soft touch". She is indebted to the CUHK Business School family for imparting a solid foundation that has equipped her with multidimensional wisdom and a network of fellow alumni across different generations.



Winona Lo, a representative of the newer generation within the renowned local catering chain Fuk Yuen Group, faced unique challenges as she transitioned into the family business from a non-business background. Recognising that traditional methods were inadequate for leading the family business into a new era and meeting evolving customer demands, Winona sought to elevate herself and her company. "I aimed to bring more value to the company, so I enrolled in CUHK's EMBA programme to upgrade my skills and enhance the company's management. I learnt that business means achieving profitability while also contributing to society." Winona actively shares her CUHK learnings with her colleagues, inspiring them to view their work as not just a means of livelihood but as a collective contribution to societal betterment.



Angela's story differs from her seniors. As a fourth-generation Chinese born in Surabaya, Indonesia's second-largest city, she embarked on a journey to study at CUHK Business School in Hong Kong, which she now considers her second home. Angela is profoundly grateful for the programme, which broadened her horizons and introduced her to

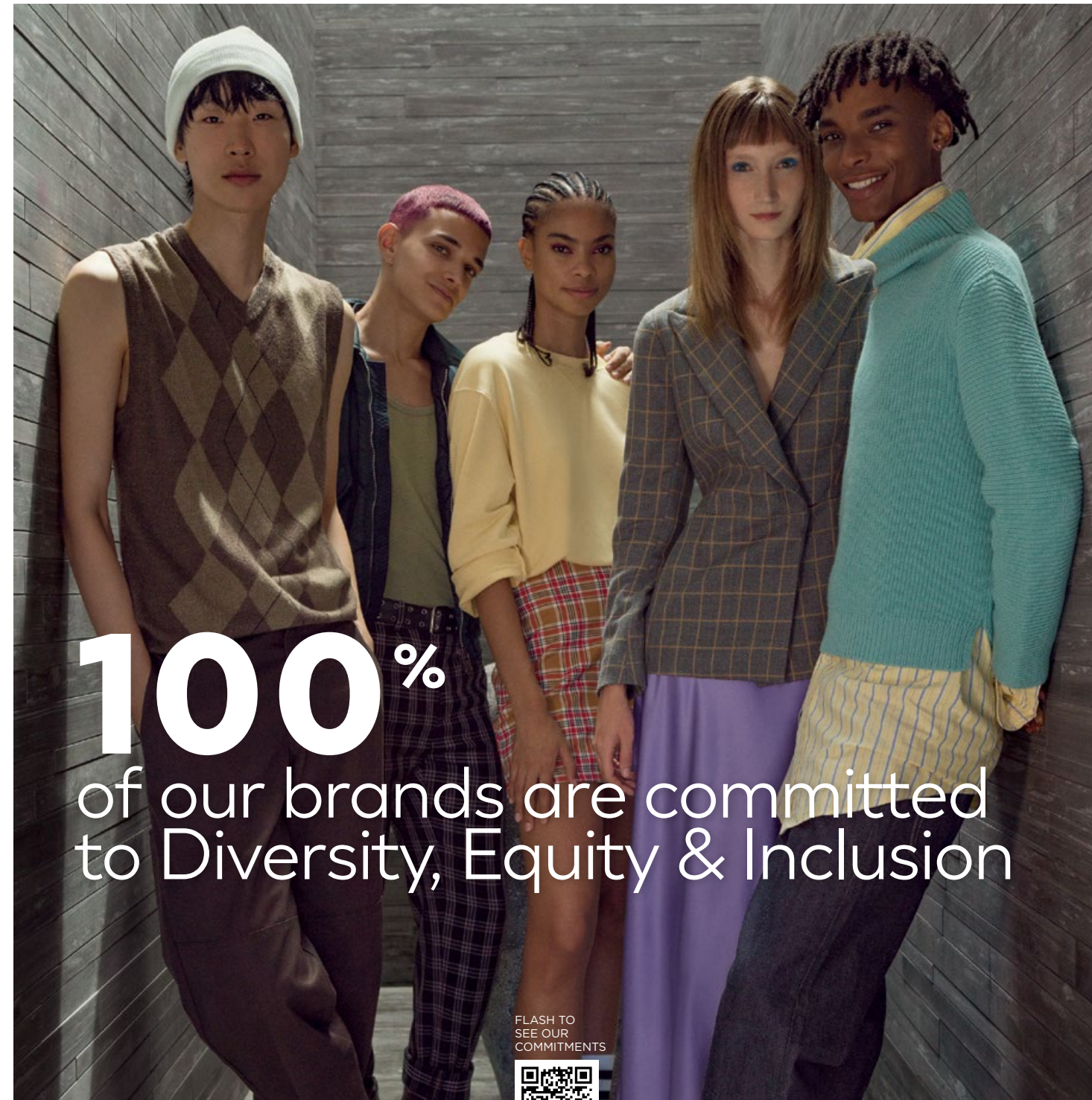


exceptional students from around the world. Their collective ambition inspired her to strive for greater success. Beyond the classroom, Angela found a supportive community among her classmates, a close-knit group of vibrant young individuals who uplifted one another through life's challenges and successes.

Angela, who has recently graduated, has chosen to stay in Hong Kong, working for an international tech consultancy. With ancestral roots in Guangzhou, she aspires to delve deeper into the city's unique culture and connect with her heritage while contributing her skills and talents to Hong Kong's dynamic landscape.



WATCH LORETTA, WINONA AND ANGELA'S INTERTWINING STORIES



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**CREATE THE BEAUTY
THAT MOVES THE WORLD**

CONNECTING AND IMPACTING WORLDWIDE

CUHK Business School's robust alumni network, boasting over 40,000 members worldwide, flourishes through dedicated alumni fostering strong connections. With the recent appointment of 83 new Global Alumni Ambassadors (GAA) from 26 countries, let's get to know some of the new members as they share their insights, experiences and aspirations.

Madrid, Spain



Henry Lam (IBBA 2023)
Associate Consultant, JIE Consulting

Zurich, Switzerland



Susan Hong (PACC 1995)
Private Practice | Personal Development Coaching,
IMD Business School

Bangkok, Thailand



Atsushi Sugiyama (MBA 2016)
CEO, Sun-up Corporation (Thailand) Limited

Q1 Could you briefly describe your current job scope or responsibilities?

As a fresh graduate, I lead a consulting project for a start-up company. Working with a team of five associate consultants, we focus on identifying key revenue issues and proposing strategic solutions to enhance profitability.

As a personal development coach for MBA candidates, I support them in accessing their inner resources during times of change and challenges. My role is to equip them with confidence and readiness for successful career transitions. Additionally, in my private practice, I assist adults with personal development, mental health challenges, and career choices.

I hold multiple positions within Sun-up Corporation, specialising in comprehensive 3Rs (Reduce, Reuse, Recycle) solutions for manufacturing clients. I am a director at the Japan headquarters and the executive CEO of the Hong Kong and Thailand branches. Additionally, I serve as a director for two other Thai companies established by Sun-up.

Q2 Please describe your residing location in three words.

Dynamic, passionate, and diverse. Madrid is a city brimming with energy. Spanish people's passion adds vibrant colours to our lives, fostering a motivating work culture. Despite cultural differences, the locals are always welcoming, and their receptivity and friendliness has left a lasting impression on my life journey in Spain.

Scenic, diverse, and efficient. Switzerland captivates visitors with stunning landscapes and picturesque towns. Its multilingualism and blend of cultural influences add to its richness. Renowned for its efficiency, the country excels in transportation, governance, and public services, reflecting Swiss punctuality, precision, and dedication to quality.

Diverse, generous, and merciful. Thailand, also known as the "land of smiles," upholds equality and mercy from its Buddhist roots. Thai people's generosity extends to foreigners, offering them opportunities to contribute to society and the economy.

Q3 Which industry do you see as having strong business potential in your residing location?

Spain's financial services sector holds immense growth potential. While tourism has long been a major source of national income, it provides a solid foundation for the growth of tertiary service industries, such as the financial market. Consulting and investment sectors are also gaining strength, attracting prominent firms to establish their offices in Spain.

Switzerland excels in healthcare, with a growing emphasis on mental health and holistic well-being. This aligns with the World Health Organisation (WHO)'s efforts in creating resilient and sustainable communities in recent years. I sincerely hope that the importance of individual well-being will continue to gather momentum in my hometown, Hong Kong, as well.

The Thai government actively promotes the Bio-Circular-Green (BCG) economy model, and encourages investors to engage in SDGs and ESG-related businesses by providing various incentives. Our business aligns with the BCG model, contributing to society through our 3Rs solutions.

Q4 What is the one thing you miss the most during your study at CUHK Business School?

I genuinely miss the moments when I would gather with my friends near the swimming pool to share our highs and lows at midnight. The nights spent studying for exams and working on group projects are also indelibly etched in my memory, evoking a bittersweet nostalgia.

I fondly reminisce about the lemon pie from the "med canteen" in the old days, with its unmatched unique, refreshing, and citrusy flavour. It's not just the taste I miss, but also the cherished company of friends, making the memories truly unforgettable.

The entrepreneurship course was my most memorable MBA experience. As an aspiring entrepreneur, the guidance and expertise provided by our professor were invaluable in shaping my business plan. The insightful suggestions also played a crucial role in my subsequent success.

School News Highlights



JUL

MiM Students Gain Regional Exposure in Singapore and Vietnam

Concluding their year-long learning journey over a two-week study trip to Singapore and Vietnam, MiM students made their final presentation to Singapore's leading multi-family office Fountainhead Partners and visited various companies to gain regional industry insights.



JUL

2023 AsRES-GCREC Joint International Real Estate Conference Fosters Exchange and Collaboration

Hosted by the School of Hotel and Tourism Management and the Centre for Hospitality and Real Estate Research from 13 to 16 July, the conference brought over 520 academic scholars and industry professionals to exchange ideas and build meaningful connections.



AUG

Global Alumni Forum Sparks Thought-Provoking Dialogues on the Future of Business

The signature alumni event gathered over 300 guests to navigate the future of global business and foster meaningful connections. Esteemed speakers, including keynote speaker Mr. Chris Sun (IBBA 1994), JP, Secretary for Labour and Welfare of Hong Kong government, provided participants with valuable business insights.



SEP

Ms. Cindy Chow Inspires New Undergraduates at Inauguration Ceremony

At the Inauguration Ceremony on 4 September, the School welcomed around 800 new undergraduates and presented the Beta Gamma Sigma CUHK Chapter Honoree Award 2023 to Ms. Cindy Chow (BBA 1992), Executive Director and CEO of the Alibaba Hong Kong Entrepreneurs Fund, who shared her transformative journey with the students.



OCT

CUHK EMBA Ranks World's 23rd by *Financial Times*

For the sixth consecutive year, CUHK EMBA is placed at the world's top 30 EMBA programmes in the *Financial Times* Executive MBA Ranking. It is also placed first in "Career Progress" and second in "Aims Achieved" in Asia Pacific, testifying our strengths in grooming exceptional leaders and taking them to the next level.



OCT

Second Green Fintech Report Sheds Light on the Green FinTech Landscape across APEC Economies

In our second year of collaboration with Golmpact, an ESG and sustainability education and EdTech firm, CUHK Business School released the Green Fintech Report 2023. The report suggests that government regulation, cross-sector collaboration, and bridging the talent gap will be crucial to advancing the Green Finance agenda.



OCT

New MSc in Sustainable Global Business Commences in 2024

Commencing in the fall of 2024, MSc in Sustainable Global Business is designed to nurture perceptive, dynamic, and forward-looking leaders who are driven to shape the future sustainability agenda. This master's programme offers both one-year full-time and two-year part-time modes. Application is now open.



NOV

CUHK Business School Sustainability Indices Reveal Promising Trends under the New Normal

On 3 November, the Centre for Business Sustainability announced the results of the Business Sustainability Indices (BSI). This year, the BSI examines the sustainability performance of 371 listed companies in 2020-2021, showing signs of gradual recovery with a renewed focus as companies adapted to the new normal.

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