

**Research Assessment Exercise 2020**  
**Impact Overview Statement**

**University: The Chinese University of Hong Kong**

**Unit of Assessment (UoA): 20**

**Total number of eligible staff of the university in the UoA: 19**

**(1) Context** - context for the individual case study(ies)

Accounting involves the preparation, processing and dissemination of business-related information and the use of the information in various contexts for decision making. It plays a vital role in the well-functioning the capital markets and the management and governance of firms. The China market is particularly interesting given its increasing importance in the world, the lack of modern accounting systems to begin with, and rapid convergence to International Financial Reporting Standards over the last one and half decades. Several of our faculty members have been researching in different aspects of the information process, in particular, how information intermediaries such as auditors and financial analysts work in the China setting. Another important feature of the China market and more generally emerging markets in East Asia is the dominance of family firms where majority of shares are controlled by the founding family. This is very different from the diffuse ownership commonly seen in North America, and creates unique governance and succession challenges in East Asia. All these studies use data from China or East Asia, sometimes constructed by researchers themselves, and produce results that are relevant to the region and other economies.

Case Study (A): The role of Information intermediaries in the China market

Auditors provide certification and assurance of information given by firm management. It has long been recognized that attributes of audit firms (e.g., Big 4 vs. non-Big 4) and audit offices (e.g., industry leaders vs. non-leaders) affect audit quality. Recognizing that audit partners themselves are economic agents and face different incentives, a series of our studies joined the first efforts on partner-level auditing research, producing results on auditors' personal styles, expertise, clientele management, and their social ties. The impact has reached auditing standard setters. Likewise, financial analysts are also economic agents facing different incentives. They are often biased when feeding investors with their reports and stock recommendations. Several of our studies examine how such bias arise from the influence of institutional investors. The findings have important implications for small investors and have drawn attention from the investment community.

Case Study (B) Family firms

The great majority of business organizations in Asia are controlled by founders and their family members. Many of the businesses and their owners are seriously challenged by succession problems. Based on the insights from his pioneer research that has been not only highly cited by academics but also closely followed by global medias and the business community, Joseph Fan has advised family governance, ownership design, and succession planning for very large and important private-sector companies in China and Southeast Asia. His advices have critically influenced and changed the business owners' governance and succession decisions.

**(2) Approach to impact** - the unit's approach to impact during the assessment period for impact

Our approach to impact are two-fold:

1) Focus on the emerging markets, especially China, to make our research relevant. We established ourselves of as a leader of China research. *About one third of research papers on China in top-tier accounting journals have been by our faculty members.* For the information intermediary case, all underpinning studies use data from China, the fastest growing economy, and generate results proven to be both locally and globally relevant. For the family firm case, the underpinning studies use data primarily from East Asia and address practical problems pervasive in these economies. In particular,

- (a) Through Centre of Institutions and Governance (CIG), we sponsor research projects that are China focused.
- (b) We recruit and retain a significant portion of faculty specializing in China research.
- (c) We organized a China-themed international conference at least every other year (sometimes more), supplemented by other workshops
- (d) We organize mini-conferences at and joint conference with mainland China universities and sponsor faculty research trips to these schools.

2) Preaching and promulgating our research results to the practitioner audience outside academic through various means, such as media newsfeed, newspaper and TV interviews, practitioner workshops and talks, keynote speeches, and consulting projects.

**(3) Strategy and plans** - strategy and plans for supporting impact

As discussed above, our research has an East Asia and especially China focus. This makes our research results easily accessible and relevant to the business community in this region. All our featured studies have been published in top-tier academic journals and are expected to get good ratings. The remaining task to further increase the impact of these studies. Faculty members involved have been participating in various efforts and will continue to do so, such as writing simplified version of the research findings for practitioners, featuring them on school's website and e-journals, and the Faculty platform *China Business Knowledge*, and feeding them to the media points through the Bschool's media office, conducting interviews from newspapers and TV stations, giving talks to practitioners and media (e.g., through the CBK Business Luncheon series where a faculty member together with a prominent professional talk about a specific topic), actively participating practitioners conferences and giving keynote speeches and workshops there; and finally and perhaps most importantly taking up consulting projects that directly apply the research results and change the business practice.

We also participated in the Faculty efforts to seek early feedback on preliminary impact cases by inviting two experts from the UK to share with their experiences and initial assessments. We are now going through another round of feedback from the UK experts after the improvement from the first round. We are also part of other Faculty efforts that involve regular meetings for the PIs and School Director to discuss progress and funding for PIs to promote the impact of the projects.

**(4) Relationship to case studies** - the relationship between the unit's approach to impact and the submitted case studies

The submitted case studies are directly related to our approach and efforts. They will summarize the relevant research publications and document the impact of those studies following our approach, such as the influence on standard setters, the investment communities' reaction to our research findings, media coverage of research findings, and testimonies from practicing family firms how our consulting based on our research findings have changed their business practices.

For the "Information Intermediary" project," Prof. Gu has conducted a number of talks and interviews with both premier international media and local media. Such efforts have drawn attention from an asset management firm in Singapore focusing on the China market, which has turned the research findings into investment advice to its own investors as well as the more general investment community. In the "Family Firms" project, Prof. Fan has conducted many workshops to practitioners and taken up a number of consulting projects with testimonies from clients how his research has changed and improved their business practice.