

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

**University:** The Hong Kong University of Science and Technology

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

**Total number of eligible staff of the university in the UoA:** 13

**(1) Context**

The UoA comprises the Department of Accounting in the School of Business and Management. Our research focus is archival accounting, with main research areas and impacts on:

- **Economy:** enhancing efficiency of systems and regulation at national level (P Chen), spurring the development of the mainland China financial sector (You).
- **Firms and Organizations:** including job creation, improved business performance, legal liability (Huang and Z Chen), executive compensation (K Chen and T Chen), managers' personal characteristics (Hsu), managerial forecasts (Zheng).
- **Financial Intermediaries and Professional Standards:** international accounting (Hung and Wang), auditing (P Chen), creditors' monitoring (Li).
- **Informing Practitioner and Public Understanding:** leveraging School and Department structures and platforms (e.g. School communications team; executive education program)

Our major non-academic users encompass corporations and fund management companies in Hong Kong, mainland China, and overseas, as well as regulatory bodies in Hong Kong and internationally, including the US (e.g. Securities and Exchange Commission [SEC]). Beneficiaries include financial practitioners such as accountants, auditors and financial analysts; regulators; investors; and the public.

**(2) Approach to impact**

The Unit places emphasis on research to inform policy-making and business practice and achieved significant impact over RAE2020, including direct impact on regulators and practitioners. Such impact was usually founded on Unit members' original research and often conducted through co-authorship with either colleagues or, frequently, with academics from leading business schools in Europe and the US, broadening audiences and awareness of HKUST's business research.

An example of impact on regulators was K Chen and T Chen's published work (2012) on clawback of executive compensation, cited by the US SEC in its Proposed Listing Standards for Recovery of Erroneously Awarded Compensation issued in 2015. Similarly, You's 2009 study was cited by the SEC in its 2016 regulatory amendment on simplifying Form 10-K filings (see case).

To facilitate more research with regulatory impacts, the UoA strove to create an environment for researchers and its users and beneficiaries to interact to help faculty generate research ideas of interest to practitioners, and practitioners to reflect their needs to faculty:

i) **Interaction with accounting standards-setters and regulators:** The UoA invited potential research users to make presentations to faculty and provided funding for faculty to present their latest findings to them. For example, Dr Zhang Weiguo and Dr Lu Jianqiao, members of the International Accounting Standards Board, and Paul Winkelmann, CEO, Financial Reporting Council of Hong Kong, spoke to faculty (June 2014, February 2018 and May 2018, respectively). Faculty also presented at a seminar organized by the SEC's Division of Economic and Risk Analysis in June 2019 (Huang) and a conference arranged by the Public Company Accounting Oversight Board (PCAOB, regulator of auditors) in the US in October 2016 (T Chen). Hung's 2015 publication in *The Accounting Review* on the adoption of international accounting standards and the firm's crash risk is one of the research projects developed from interactions with regulators and other practitioners.

ii) **Consultancy and corporate board memberships:** The University provides leave to encourage faculty to engage in research-related consulting and corporate board memberships in Hong Kong and mainland China, while a sabbatical year can be taken for longer-term consulting. These policies allowed You to take up his consultancy for China Investment Corporation (CIC), China's sovereign wealth fund, in 2015-17. Other faculty serve as independent non-executive directors of companies

listed in Hong Kong and Shanghai (e.g., K Chen for Chanjet Inc; T Chen for Landsea Green Group; Hsu for Xiamen International Airport Co, Ltd). These activities contribute directly to improving the investment performance of government and the operations of the listed companies.

iii) **Executive education programs:** Faculty conduct training for business executives, e.g. Huang taught the application of new technologies, such as blockchain and artificial intelligence, in business and finance in the School's executive education programs, teaching based on knowledge from his research. This is useful for corporations to embrace new technologies in business operations.

iv) **Faculty hiring:** The Unit makes efforts to hire faculty with experience in fund management since they are more likely to make impact on the industry with their combination of research expertise and practical experience. You and Huang are two examples.

**To influence policy-making,** the UoA disseminates research findings to the business community, including regulators and accounting standards-setters, and the public through the following School and Department platforms:

i) **Business Insight Presentation Series:** Faculty frequently present their research to business audiences (average 40) at these lunch seminars. Topics have covered financial reporting quality and earnings surprises (Hung); home bias in investment, accounting standards and cross-listing (Wang); and the role of economic freedom in value creation and shareholders' wealth (P Chen). The series fosters dialogue between faculty and different sectors of the accountancy field.

ii) **Business Insight Selected Journal Publications:** Concise, non-technical research summaries of selected publications by UoA faculty are sent to 1,200 regular subscribers and shared on the *South China Morning Post* website (SCMP.com, 11 million monthly users).

iii) **News media:** The School has a dedicated periodical column in the local Chinese newspaper, *Hong Kong Economic Journal* (circulation: 83,000), for faculty to contribute articles on current business and economics topics. UoA faculty (e.g. Huang) provided 15 and 30 articles in 2017 and 2018, respectively on topics such as application of blockchain technology in Hong Kong.

### 3) Strategy and plans

Over the next six years, the Department will continue to enhance its research scope and support systems to deliver wider and deeper impact on policy-making and business practices by:

i) **Leveraging new technologies to generate research-based equity investment impact:** We are actively pursuing novel, tech-based accountancy research to generate fresh knowledge for fund managers. Projects underway include Huang's use of neural networks to extract risk factor information from corporate disclosures and You's application of machine learning to corporate earnings forecasts to improve performance in equity investment.

ii) **Targeting sustainability reporting for regulators and corporations:** Unit faculty (e.g. Hung) are seeking a leading international role in research-based sustainability reporting and its effect on shareholders, employees, and customers to inform the financial and corporate governance community on costs and benefits related to this development.

iii) **Interdisciplinary and inter-university collaborations:** To achieve i) and ii), the Unit will enhance collaborations with other fields and universities, e.g. Huang's participation in the School's theme-based research on Fintech, led by the Dean, KY Tam.

iv) **Adding impact to performance evaluation:** The Unit will include impact on business practice as an important criterion in faculty recruitment, merit salary review, and promotion.

### 4) Relationship to case studies

Our case study, underpinned by You's research, presents a good example of how our approach generates significant impacts and reaches many non-academic beneficiaries. It shows a typical journey to impact from the consultancy roles You undertook and publication in a leading international accounting journal to dissemination as part of the School's "Business Insight Selected Journal Publications" series in 2011, which led to wider knowledge of You's work and expertise, and then impact on investment practice as well as regulatory impact in the US.