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Scientific Articles

- Can be a topic of practical value & business relevancy
- Focus on applications

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SPECIAL ISSUE PAPER

Can customer loyalty be explained by virtue ethics? The Chinese way

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Abstract Virtue ethics is regarded as the key in search of moral excellence among corporations. Yet, there are limited works to empirically investigate what virtuous character morally good corporations is expected to exhibit in the course of business from the perspective of customers. To fill this gap, we argue that customers are to evaluate firm's virtuous character using Confucian cardinal virtues (*ren*, *yi*, and *li*) and perceived virtuousness determines customer loyalty. We test this argument using a sample of 276 Hong Kong Chinese. The result suggests that a corporation not only has to offer a good value and high quality to customers but also needs to develop and acquire virtuous character in retaining customer loyalty. Firm has to embrace *ren*, *yi*, and *li* as the primary business goal. In fact, they are not the means but the end in themselves. The continuous pursuit of these cardinal virtues at the firm level not only establishes proper corporate values but also enables a firm to act morally in the course of business. Such kind of firm is known as *junzi* corporation.

Keywords Virtue ethics · *Junzi* corporation · *Ren* · *Yi* · *Li*

Introduction

The study of business ethics has been traditionally followed the dominant principle of act-oriented theories including consequentialist teleology and deontology (Velasquez

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Do Traditional Chinese Cultural Values Nourish a Market for Pirated CDs?

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Kenneth K. Kwong
Raymond P. M. Chow

ABSTRACT. On one hand, Chinese consumers are well known for conspicuous consumption and the adoption of luxury products and named brands. On the other hand, they also have a bad reputation for buying counterfeit products. Their simultaneous preferences for two contrasting types of product present a paradox that has not been addressed in the literature. This study attempts to present an explanation of this paradox by examining the effects of traditional Chinese cultural values and consumer values on consumers' deontological judgment of pirated CDs and the amount of social benefits they perceive they gain from them. We interviewed 300 Hong Kong Chinese consumers, and found that face consciousness increased materialism and risk aversion, thereby producing a favorable deontological judgment of pirated CDs. Face consciousness also has a direct effect on the amount of social benefits perceived in pirated CDs. Both favorable deontological judgment and perceived social benefits contributed to a strong intention to buy pirated CDs. The results are discussed in a cultural perspective.

KEY WORDS: Chinese values, face consciousness, other orientation, materialism, risk aversion, intention to buy pirated CDs

Introduction

Pirated CDs, the illegal CD copies of music, movies, computer games, and software, are a form of intellectual property rights infringement that has become rampant since CD writers have come into widespread use. This infringement hurts the economic

interests of the copyright holders and discourages them from undertaking creative ventures (Fullerton et al., 1996; Nill and Shultz, 1996). In the long run, it hurts all economies that thrive on intellectual property (Deng et al., 1996; Nill and Shultz, 1996; Tom et al., 1998). Mainland China and Hong Kong have been accused of being hotbeds of intellectual property rights infringement (e.g., Ang et al., 2001; Chan et al., 1998; Deng et al., 1996; Moores and Dhillon, 2000; Simone, 1999). The problem is so serious that it has become a trade dispute between China and the United States (USINFO, 2007). Although both the Chinese and the Hong Kong governments have been heavy-handedly combating the problem, pirated CDs are still being sold in the Chinese market.

As demand drives supply, the root of the problem of pirated CDs lies arguably in the consumers who buy pirated CDs rather than the vendors who make them (Bloch et al., 1993). Therefore, research efforts directed at Chinese business ethics at the organizational level would be futile (e.g., Luk et al., 2005, 2008). The focal unit of analysis should be Chinese consumers. As the problem of pirated CDs is prevalent in many regions of Greater China, rich or poor, business practitioners might be tempted to infer a direct relationship between traditional Chinese culture and piracy (e.g., Swinyard et al., 1990). Paradoxically, Chinese consumers are also well known for being socially sensitive (e.g., Gabrenya and Hwang, 1996; Yau, 1988). They have high levels of "face consciousness" and



Teaching Cases

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GC-19-029-CE 2020-06-30

A Socially Responsible Company: What Hong Kong Ferry Has Done and Should Do

The case was developed by Kenneth K. KWONG, Thomas K. P. LEUNG, Eden Y. H. CHOW, and Thomas W. Y. MAN of The Hang Seng University of Hong Kong, with the helpful collaboration and support of Hong Kong Ferry (Holdings) Company Limited. For the sake of confidentiality, financial indicators and some key figures of Hong Kong Ferry (Holdings) Company Limited in this case have all been revised, and such revisions do not affect discussion about and decisions based on this case. The case was developed to provide the basis of classroom discussion rather than to illustrate effective or ineffective handling of a management situation.

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On the morning of one usual working day, an executive meeting was held at the head office of Hong Kong Ferry Group on Tsing Yi Island. One of the agenda items was to review the effectiveness of past environmental and social activities of the Group. Throughout the years, the management has already taken measures to recycle used materials and reduce energy consumption. The Group was named as a Caring Company to recognize its involvement in community service and efforts to enhance employee safety as well as to protect the environment. Apart from these green measures and voluntary work, a debate was centered on what Hong Kong Ferry should do to respond to a call for wider responsibilities. Nowadays, a company is expected to solve social problems. However, is it legitimate to use the resources of a company, by nature a business entity, for social matters? Will the fulfillment of corporate social responsibilities dilute the earnings of Hong Kong Ferry?

Hong Kong Ferry (Holdings) Company Limited

The Hongkong and Yauamati Ferry Company was formed by a group of Chinese merchants in 1923 when Hong Kong was still a British colony. The company was renamed Hong Kong Ferry (Holdings) Company Limited (HKF) after change of hands in its majority stake in 1989. Since then, HKF has become an associate of Henderson Land Development Co. Ltd., while remains listed on Hong Kong Stock Exchange. At the fiscal year end in 2018, the company reported a profit of HK\$345 million (approximately

Business Purposes <ul style="list-style-type: none">• Triple bottom line (TBL/3BL)• Profit → Economic measures• Planet → Environmental measures• People → Social measures• Being profitable and responsible• Corporate social responsibility<ul style="list-style-type: none">→ A mix of both leading to long-term sustainable development	Drucker's CSR Framework <ul style="list-style-type: none">• What business does to society (inside-out)• What business can do for society (outside-in)
Corporate Social Responsibility (CSR) <ul style="list-style-type: none">• The pyramid of CSR<ul style="list-style-type: none">• Philanthropic responsibilities<ul style="list-style-type: none">→ Be a good corporate citizen• Ethical responsibilities<ul style="list-style-type: none">→ Be ethical• Legal responsibilities<ul style="list-style-type: none">→ Be lawful• Economic responsibilities<ul style="list-style-type: none">→ Be profitable• Deontological norms<ul style="list-style-type: none">→ Religion, legal system, political system• Professional environment<ul style="list-style-type: none">→ Informal norms, formal codes, code enforcement• Organizational environment<ul style="list-style-type: none">→ Informal norms, formal codes, code enforcement• Personal characteristics<ul style="list-style-type: none">→ Religion, value system, belief system, strength of moral character, cognitive moral development, ethical sensitivity	Social Impacts as in the case of HKF <ul style="list-style-type: none">• Business by-products<ul style="list-style-type: none">• Protect the Harbor → Discharge of wastewater• Protect the environment → Install ultra-low sulphur diesel engines, greenhouse gas (GHG) emission• Accountable<ul style="list-style-type: none">• Optimize energy and electricity consumption → WWF's Earth Hour• Enhance water conservation<ul style="list-style-type: none">→ Two rainwater harvesters• Self & government regulations<ul style="list-style-type: none">• Conduct carbon audit exercises under the Energy and Carbon Management Program• Comply the Performance-based Building Energy Code, EMS2• Ensure that waste materials and useful resources are properly recovered, recycled, and reused
Social Problems as in the case of HKF <ul style="list-style-type: none">• Redevelopment projects<ul style="list-style-type: none">→ Rebuild the old shipyard and staff dormitories into a residential and shopping complex→ Business opportunities; become the most profitable operating segment (SBU) in the Group→ Duty of care; increase the supply of private residential units, improve the living environment of Hong Kong people→ Functioning society; contribute to the betterment of a society by leveraging the firm's capabilities to indirectly alleviate the long-standing land shortage problem in Hong Kong• Green Burial<ul style="list-style-type: none">• Provide a non-passenger ferry service to the government on a chartered basis for the scattering of human ashes at sea→ Business opportunities; receive leasing fees from the government despite that this service is free to the public→ Duty of care; support green burial by providing green memorial sailings for families of the deceased	Constraints on Implementing CSR <ul style="list-style-type: none">• Economically unviable<ul style="list-style-type: none">• Dilute the earnings, distract management attention• Impair the performance capability• Incompetence<ul style="list-style-type: none">• Lack of experience, skills, and knowledge• Exceed the firm's competence• Usurpation of authority<ul style="list-style-type: none">• Depart from the firm's mission and scope of business• Involve illegitimate authority
Call for Wider Responsibilities <ul style="list-style-type: none">• Bounded goodness<ul style="list-style-type: none">• How much is enough• Social impacts or social problems• Corporate mission or purpose• Regulatory intervention• Corporate capabilities/competencies• Legitimacy and authority to act	



Teaching Cases

- Can be a case in Chinese
- Can be a case co-authored with students

中国管理案例共享中心案例库

教学案例

案例使用说明：

“中国式游乐”的逆袭：长隆集团创新战略何以步步为赢！¹？

一、教学目的与用途

1. 适用课程：本案例主要适用于《创新管理》《战略管理》等课程中的创新战略及价值创新知识点的教学，帮助学生更好地理解相关理论知识，可以用来讨论企业的战略变革、创新战略选择与实现等相关主题。

2. 适用对象：本案例适用于工商管理学科的本科生、企业管理方向的研究生、MBA 和 EMBA 等学员使用。

3. 教学目的：在对外开放的大背景下，在瞬息万变、突发事件频发的商业市场环境中，本土企业如何通过创新战略实现逆袭发展，并在行业中一路逆市增长保持行业领导者位置，是一个极具挑战性的问题。本案例回顾了长隆集团（以下简称“长隆”）从创办“野生动物园”到开拓“娱乐王国”再到打造“世界的长隆”的三次战略变革过程中创新战略的作用，希望通过教师的引导与学生的讨论可以实现以下教学目标：

- (1) 了解创新战略的内涵及成因；
- (2) 掌握创新战略选择的基本形式；
- (3) 掌握价值创新的内涵及应用；
- (4) 了解创新组合战略的动态过程。

二、启发思考题

1. 分析长隆“中国式游乐”是如何实现“步步为赢”的？并分析每一“步”变革和创新的背景及主要特点。
2. 分析长隆在“逆袭”过程中为何要采取创新战略？
3. 长隆“逆袭”过程中主要采用了哪种创新战略？分析采用这种创新战略

¹ 本案例由广东财经大学 MBA 学院王朝晖、香港恒生大学商学院李家麒、广东财经大学研究生肖颖、章恒、陈毓泉、王煜杰、王晋撰写的，作者拥有著作权中的署名权、修改权、改编权。
2. 本案例授权中国管理案例共享中心使用，中国管理案例共享中心享有复制权、修改权、发表权、发行权、信息网络传播权、改编权、汇编权等权利。
3. 由于企业保密的要求，在本案例中除为志别外，有关名称、数据等做了必要的掩饰性处理，如熊旗捷。
4. 本案例仅供课堂讨论之用，并无意暗示或说明某种管理行为是否有效。



Photo taken at the corporate office of The Hong Kong and Shanghai Hotels, Limited with Mr. Joshua Wong, Manager, Corporate Responsibility and Sustainability (second from the left) and Dr. Kenneth K. Kwong, Assistant Professor, HSUHK, also advisor of the case (first from the left).



Photo taken with the management team of TWG (Mr. Keith Wu, Group COO & Executive Director & Ms. Mandy Hau, Group Operating Officer – HR & Admin)



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2014 Hong Kong Social Harmony Survey Report

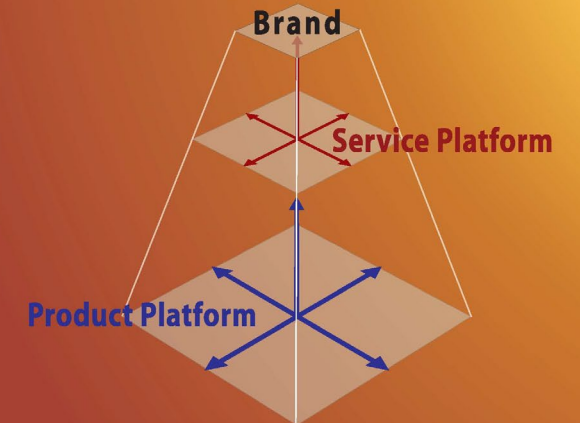
Survey organized and published by :
Hong Kong Professionals and Senior Executives Association

Survey commissioned to :
School of Business, Hang Seng Management College

December 2014

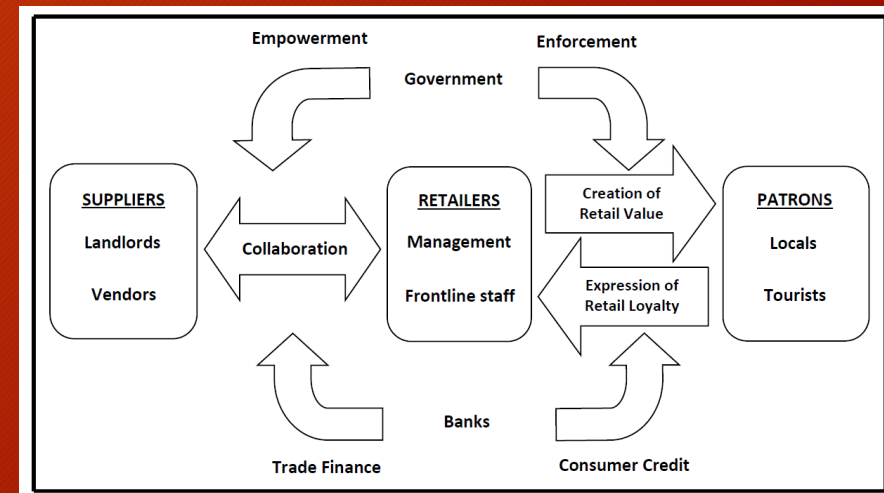
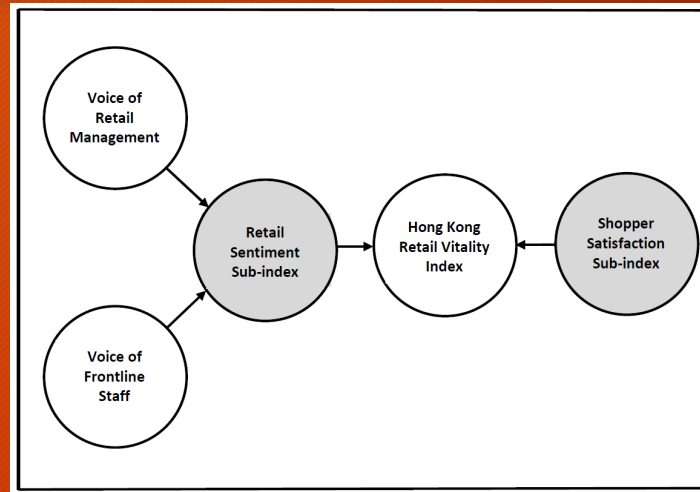


Research of Up-to-Date Referential Models of Best Practices of Jewelry Design & Service Design of Hong Kong Jewelry Industry





Consultancy Projects

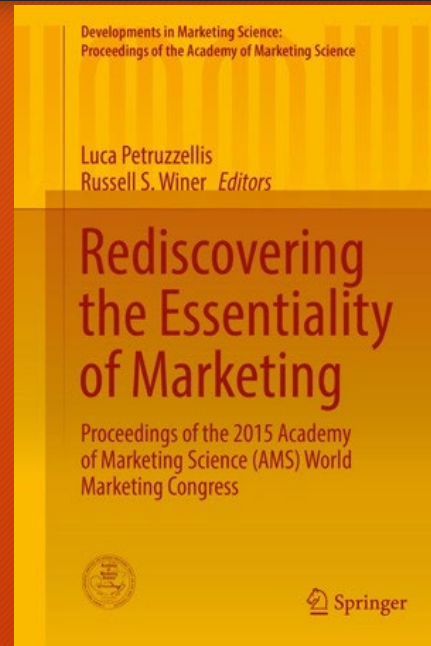


- Collaborate with trade associations & government
- Hong Kong Retail Vitality Index



Other Outlets

- Conference papers
- Press columns



Does Third-Party Logistics Create a Synergy Effect on Firm Performance

Kenneth K. Kwong

Introduction

A firm with strong strategic orientations tends to perform better in the market. However, recent research findings suggested differently. Interfirm collaboration is conceived to be one of the intervening variables, which operate between strategic orientations and firm's market performance. A firm working closely with third parties is likely to achieve a better result because of the synergy effect. Based on this proposition, this study aims to test this synergy effect arising from interfirm collaboration on firm performance in the context of outsourcing the distribution function to third-party logistics (3PLs) providers in Southern China.

Background

Strategic orientations are specific approach adopted by a firm in gathering information on competitors' activities and customers' needs (Narver and Slater 1990). It directs the firm's resource to fight against the competitors and to satisfy the customers. As such, competitor and customer orientations are the two components that constitute strategic orientations in this study. Any positive effect arising from outsourcing a firm's distribution function to the third party is collectively known as 3PLs synergies. The third-party logistics provider shares part or all of the tasks for client firms on sourcing, capacity planning, conversion, and distribution of finished goods. Because of its specialization, the third-party logistics provider is able to help client firms in achieving a better result (Yeung et al. 2006). In this study, 3PLs

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營銷路上四件事

每當談起市場學，總是教人聯想起廣告和優惠等與推廣相關的活動上，實情是作為一門獨立的學科，市場學並不是純粹只談宣傳或定價的策略，而是涵蓋整個的營銷過程，當中涉及的包括產品、渠道、促銷和價格等最少四個環節。取它們首個的英文字母，便構成在市場學中經常提到的4P了。4P又稱營銷組合，是市場學上的一個基礎框架。它既簡單而又扼要地道出每一位從事市場工作的朋友在營銷路上，必須注意的四件事：按先後次序分別是（一）賣甚麼、（二）哪裏賣、（三）怎樣賣和（四）賣幾錢？

營銷組合環環相扣

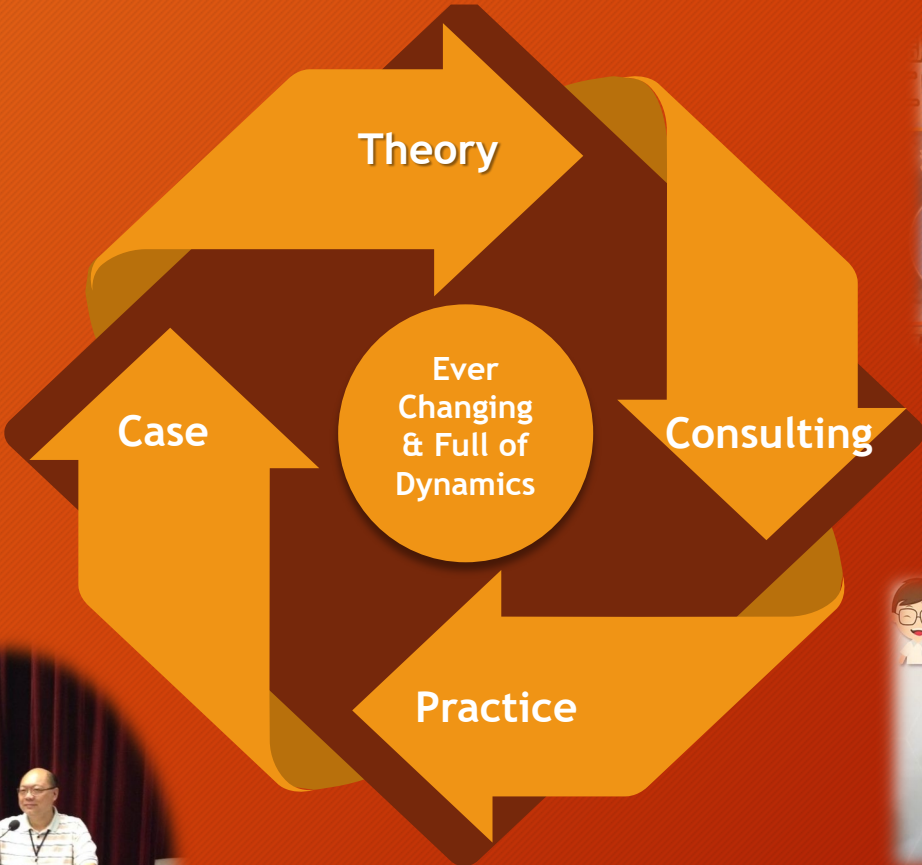
「賣甚麼」是營銷組合內的核心和關鍵問題。在營銷組合內，促銷泛指所有的宣傳活動，目的是誘發消費者的深層需要，喚起他們對產品的興趣，從而形成一股購買力量。促銷的內容少不免觸及產品和售賣點等資料，就是為可將促銷排在產品及渠道之後。

餘下的便只有價格這一環，它代表企業從客人手上拿到的錢，由於產品、渠道和促銷都牽涉不同大大小小的開支，本質上就是成本。將價格放在最後一環，是好讓市場人員在定價時，也把成本一併算進去。

從上述的討論中，可見營銷組合內的产品、渠道、促銷和價格都是環環相扣。忽略當中的任何一個環節，都會大大地降低產品對消費者的吸引力，窒礙銷售活動。

恒生管理學院市場學系助理教授 鄺家麒博士

本欄由恒生管理學院高層輪流執筆，就所見所聞與讀者分享。若讀者對本文有任何意見，歡迎與作者聯絡，電郵：kennethkwong@hsmc.edu.hk



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