



What's Inside?

New Research Priorities and Future Directions

Extraordinary Honour for Young Researcher

Eliminating Identity Fraud

The Next Generation

Scientia Synergies

A Month in Research July 2004

Record \$6.8M NHMRC Grant

Predicting Property Prices

Photos from left to right:

Greg Whittred, Dean, Faculty of Commerce and Economics.

John Piggott (Associate Dean, Research) and Olivia Mitchell (Wharton), guest speaker at the CPS Colloquium.

PHD students Simon Kwok and Janis Wardrop: the next generation. See story inside.

Research Issue

This special edition of Office of the Dean focuses on our research portfolio – the linchpin of Faculty reputation. We hope it provides a sense of the vitality, the variety and the importance of our research.

The Faculty is one of Australia's leading centres for research in the business and economics disciplines – consistently ranking number 1 or 2 relative to its Go8 peers in the number and dollar value of competitive grants won for research. We currently have over 220 academic staff, many of whom have international reputations in their field, and over 200 postgraduate research students, from some 20 countries. In this issue you will see a small sample of our research along with a very full diary of research activities.

In addition to its eight schools, the Faculty has seven university research centres and is closely affiliated with three major national co-operative research centres (CRCs). We provide the CEO for both the Capital Markets Cooperative Research Centre Limited (CMCRC) and the Securities Industry Research Centre of Asia-Pacific Limited (SIRCA). The former was founded in 2001, with government, industry and university funding of \$62 million over 7 years, to bring together the best in innovative research and technology to the capital markets domain. Its CEO, Mike Aitken, is a Professor of Capital Markets in the School of Banking and Finance. Commercialisation of research findings receives major emphasis; already two spin-off companies focused on compliance monitoring and fraud detection products have been set up.

SIRCA was established in 1994 by Philip Brown, Mike Aitken and Terry Walter. All three are now Professors in the Faculty. The present CEO, A/Professor Mike Briers, is based in the School of Accounting. SIRCA provides high quality databases and infrastructure, beyond the means of any individual university, to support world-class accounting and finance research. It has been spectacularly successful in delivering these services to a rapidly growing university membership base (from the original four to the present 26 universities across Australia and New Zealand). The service now incorporates the world's largest financial market databases. Both SIRCA and the CMCRC support research in universities through research degree scholarships, academic leadership and a national PhD program.

Our contribution to the CRC in Sustainable Tourism manifests itself in Professor Larry Dwyer's leadership of its research program in "Sustainable Destinations". Larry holds the Qantas Chair in Tourism Economics.

I encourage you to read the rest of this newsletter and get a sense of how the many individuals who comprise our Schools and our Centres invest their research time; and the areas of strategic priority that the Faculty has carved, or is in the process of, carving out for itself.

Professor Greg Whittred, Dean

New research priorities and future directions

New research priorities and future directions

The Faculty's research has always been strong says Professor John Piggott, Associate Dean, Research. But over the last two years, fuelled by new funding won in grants and supported from Faculty reserves, research activity has reached new levels.



John Piggott (Associate Dean, Research)

For example, at the end of 2001, we had 149 graduate research students enrolled. Now, we have 218 research student enrolments, thanks to supplementary scholarships, and support through research centres, especially the CMCRC and SIRCA.

Complementing this are new efforts to recruit high quality research students from abroad, especially China. The first eight students from the School of Management at Shanghai's prestigious Fudan University arrived in February to begin an MCom (Hons) degree, in preparation for completing a PhD back at Fudan, under an agreement with Fudan Business School. We have also just signed a new agreement with several key Chinese Universities and

the Chinese Scholarship Council – the national funding body for all overseas study – to bring outstanding Chinese students (selected in a nationwide competition) to UNSW to undertake a PhD.

Along with this new wave of students, we have become more strategic in our research planning. Over the last year the Faculty has identified three areas of research priority: Markets, Asian Engagement (which fits with our recruitment drive in China), and Demographic and Workplace change. We see all three, as becoming more important in Australia, regionally, and globally. These will be fostered in coming years through alliances with

other universities, strategic hiring, and research student selection.

Examples of early steps to implement this strategy are a new Centre for Energy and Environmental Markets (CEEM), a joint initiative of the Faculties of Commerce and Engineering with Faculty and University seed money; a New South Global Chair in Ageing; and strong impetus for an Australia Research Council Centre for Excellence bid in Ageing, Health and Retirement Funding. These initiatives will be followed by others to carve for the Faculty a unique place in business research in Asia.

Extraordinary Honour for Young Researcher

Extraordinary Honour for Young Researcher

Kieron Meagher, a young economist who has undertaken pioneering research on the connection between a firm's management hierarchy and its market environment, is one of only 13 academics world-wide invited to present research at the Stanford Institute of Theoretical Economics (SITE) Summer Workshop on "Bounded Rationality in the Design of Markets and Organisations" this month. This is an extraordinary honour for a young researcher.



Kieron Meagher, School of Economics

Firms delegate decision making responsibilities amongst their management teams because there are limitations to how much any individual can accomplish. Although much research has been done to explain how firms organise their executive delegation, almost no work has been done to link this to the particular market structures in which firms operate. Usually

research into management hierarchies looks at internal structures in isolation. Kieron's research is unique in that it ties the inside of the firm to the market in which they operate. He is just one of a handful of researchers working on this issue within a bounded rationality context, that is, in a context which assumes that human rationality has its limits, especially

when operating in uncertain conditions.

"The invitation provides a chance for me to present my work to a small group of the world's leading experts in the field", Kieron said. "It is a great opportunity, both for what I will learn and for the potential impact of my research."

Eliminating Identity Fraud

Last year, Associate Professor Roger Jamieson (Information Systems) and a cross-disciplinary team of five researchers from five universities were awarded a \$531,000 Australian Research Council (ARC) Linkage Grant to investigate identity fraud in collaboration with the AUSTRAC Proof of Identity Steering Committee.

Identity fraud refers to crimes in which someone wrongfully obtains and uses another person's personal data in some

way that involves fraud or deception, typically for economic gain. It is the fastest growing crime in Australia and cost the Australian public \$1.1 billion in 2001/2002.

"Identity fraud presents a growing threat throughout the world as false and stolen identities are used in an expanding range of criminal and terrorist activity," Senator Ellison, Minister for Justice and Customs said in a news release on 12 November, 2003. "Identity fraud impacts not just on individual victims, but on the way in which

government and industry can provide products and services. This has ramifications for the entire Australian community."

The research team includes experts in the fields of IT, Financial Management, Criminology, and Law and will receive the funding for the project over three years. Additional funding will come from industry and universities. They will research identity fraud from both an organisational and wider social perspective by investigating control, management and policy objectives.

The next generation

Two of the Faculty's most promising PhD students are **Janis Wardrop (Organisation and Management)** and **Simon Kwok (Marketing)**.

There is a feeling within the business community that self-regulation encourages commitment to principles while imposed regulation leads to "mere" compliance with the regulation says **Janis Wardrop**. Her research examines these issues following the introduction of the ASX Principles of Good Corporate Governance. She is examining the corporate governance statements of the S&P/ASX 50 list companies and other sources to test this idea, and hopes that her research will be useful in the broader debates about regulating company behaviour.

Simon Kwok is currently researching Consumer Buyer Behaviour in China. "Given the size and potential of the Chinese market, it is vital to understand the new consumers of China," says Simon. He is attempting to provide the first systematic analysis of buyer behaviour for urban consumers in China. The focus is on issues relating to purchase intention, brand choice and loyalty for frequently purchased consumer goods.

See the Faculty website for further details on these stories www.fce.unsw.edu.au

A month in Research July 2004

UNSW Conferences

12th Australian Colloquium of Superannuation Researchers – "Shortchanged? Pension Fund Governance and Retirement Provision" 12–13th July 2004 hosted by CPS and School of Economics

2 day workshop on "Equity offerings, venture capital and corporate governance". School of Banking and Finance: Ron Masulis.

CAER winter workshop on Bayesian Econometrics, Friday 23 July 2004.

Academic Visitors

Accounting

Teemu Malmi, Finland

Actuarial Studies

Sam Cox and Shaun Wang, Georgia State
Zinovy Landsman, Haifa

Banking and Finance

Ron Masulis, Vanderbilt
Arie Melnik, Haifa
Xianming Zhou, Hong Kong

Economics

Dale Poirier, California
Badi Baltagi, Texas A&M
Olivia Mitchell, Wharton

Industrial Relations Research Centre

Frank Wilkinson, Cambridge

Marketing

Ban Mittal, North Kentucky
Terry Elrod, Alberta
Ko de Ruyter, Maastricht
Xiaoqiang Gao, Changqing
Tianli He, Shandong
Institute of Business & Technology

Organisation and Management

Ingo Hannibalsson, Rejkjavik

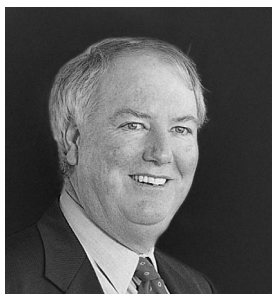
UNSW staff international visits

During July, UNSW staff visited academic institutions around the world including the University of Antwerp, Beihang University, Fudan University, University of Hong Kong, Humboldt University, INSEAD, the London Business School, University of Ottawa, Penn State, Rutgers University, Thammasat University and UMIST.

Seminars and Conferences

Staff presented papers at 21 Australian conferences and seminars and 24 international conferences.

Scientia Synergies



Scientia Professor Ken Trotman

The University honours its most distinguished research professors with the title "Scientia". The Faculty currently has two: Peter Swan and Ken Trotman.

The recent corporate collapses and increased emphasis on corporate governance have placed an even greater scrutiny on quality control within audit firms. One of these key controls is the review process and **Scientia Professor Ken Trotman's** research has been addressing the factors that impact the extent of review carried out and what makes a good reviewer.

The complexity of the judgments faced by auditors and clients is often not recognised. Accounting estimates, for example, are frequently dependent upon incomplete information and interpretation. The auditors and the client may differ in the evaluation of their estimates and thus a negotiated agreement becomes necessary. Ken is well known internationally for his research on auditor judgment and currently

holds two ARC Discovery Grants. Ken's most recent ARC grant examines ways of improving auditor negotiations.

Scientia Professor Peter Swan AM

is an ARC Australian Professorial Fellow in the School of Banking and Finance. Some of his research concerns the impact of trading and liquidity on stock market returns and on the best architectural designs for stock market trading systems globally. The work is both theoretical and applied in that he develops new theories and tests them using large data sets representing global trading across many stock markets. This research is contributing to the reform process currently underway at the Australian Stock Exchange.

Professor Swan is also working on a range of issues concerning executive compensation in Australia and North America, and the trading strategies of fund managers.

See the Faculty website for further details on these stories www.fce.unsw.edu.au



Scientia Professor Peter Swan

Record \$6.8M National Health and Medical Research Council Grant

Record \$6.8M National Health and Medical Research Council Grant

Professor Denzil Fiebig (Head of School – Economics) is part of a team of researchers that have been awarded an NHMRC (National Health and Medical Research Council) Program Grant worth \$6.8 million over five years (2003–07).

This grant is quite distinctive because the NHMRC Program Grants are typically awarded to researchers in biomedical research. In addition, this particular grant is believed to be one of the largest Australian research grants ever awarded in the humanities and social sciences.

A specific modeling problem that Denzil is working on, is the situation where an economic agent needs to make a choice in a situation where they know little about

the product or service. In such cases an expert often guides them by making recommendations. The doctor-patient relationship is an obvious example of such a situation but one can readily think of others: a consumer who needs to buy a water heater and the plumber who provides advice on which is best for their needs; a financial consultant providing investment advice; a mechanic providing the motorist advice on car repairs.

From a policy perspective the government might be considering introducing incentives to encourage participation in a public health initiative. One question that could be addressed in this modeling framework is to ask whether it would be more cost effective to target the consumers or the doctors?

Denzil is also interested in the role that private health insurance plays in the utilisation of health services. While there has been considerable publicity given to the impact of recent government policies in arresting the decline in private health insurance numbers, it is not at all clear that this has flowed through into a reduction of pressure on the public health system. Denzil also has a current ARC Discovery Grant that is exploring these issues.

Denzil's grant is just one of a whole plethora of grants that academics within the Faculty have recently received. In 2003 Faculty staff were awarded 21 grants worth a total of \$4.743M.

Predicting Property Prices

What effects do socio-demographic and geographic factors have on residential property prices?

These are the questions that Professor Mike Sherris and Andrew Chernih, an honours student from UNSW's School of Actuarial Studies, have attempted to answer in a recently completed research project.

"Aircraft noise, pollution and closeness to infrastructure such as rails and roads have an impact on property prices," says Professor Sherris. However, Sherris and Chernih's results challenge many long-held stereotypes about what affects property price. "We found that property prices have little to do with the crime levels or being close to hospitals, medical centres, schools and universities."

The study involved more than 37,000 property sales in the year of 2001 from all parts of Sydney to determine the key

factors that add or detract from the value of residential property. Data was obtained from various sources such as Residex, the Department of Land and Water Conservation, the Bureau of Crime Statistics, the 2001 Census, the Transport Data Centre and the NRMA.

The techniques applied are similar to those used by actuaries and insurance companies in rating insurance by various risk factors. "Insurance companies are increasingly using spatial risk modelling techniques similar to those used in this study in their premium rating" says Sherris.

The end result was statistical models to determine which of the 45 factors were most significant in explaining property prices. The final models had 13 factors, including the size of a property, aircraft noise, air pollution and distance to the nearest train station, highway, park, factory and ambulance station among others.



A combination of 13 factors could determine this property's value

The models are more complex than they first sound, explains Chernih. "You can't simply say that every metre you move away from a highway your house rises or falls in value by a fixed amount, caution is required when doing any such property price analysis." The study has quantified the impact of factors but there is much further research needed.

office of the dean

Published by: External Relations,
Faculty of Commerce and Economics,
The University of New South Wales

Telephone +61 (2) 9385 1574

Facsimile +61 (2) 9313 7767

Email fcedo@unsw.edu.au

Website www.fce.unsw.edu.au

CRICOS PROVIDER No: 00098G

coming events

- 14 October – 6–8pm, The Scientia. **Meet the CEO – Roger Corbett**, CEO, Woolworths Limited
- 25 November – 6–8pm, The Westin, Sydney, **2004 John V. Ratcliffe Memorial Lecture**