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Columbia Business School International Faculty Profile

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Professor Wei Jiang, a native of Hangzhou, China, has been teaching Corporate Finance courses to MBA, EMBA and PhD students at Columbia Business School since July 2001. Among other accolades, Wei has received the Distinguished Service Award for Teaching Excellence from the Berkeley-Columbia Executive MBA program. She graduated from Fudan University in Shanghai with a BA in economics and an MA in international economics. Later, at the University of Chicago, Wei completed a PhD in economics.

Where did you work upon graduating from Fudan University?

I worked for a few years at Prudential Securities in their Shanghai office. My time was spent mostly in the private equity business, because foreign securities firms could not participate directly in the IPO business at the time. The financial and securities markets were just starting up, and there were a limited number of foreign firms operating in the country. Consequently, our office was not a regular, full-service branch but rather a representative office. So, while we identified and executed our own deals, the transactions were folded under the umbrella of the Hong Kong branch. The level of development and openness of the financial markets was noticeably limited and premature compared to today.

What precipitated your decision to pursue graduate school?

While I found the deals at Prudential to be interesting, I felt my career path was somewhat limited. At the same time, I became increasingly curious about the work I was being asked to do. In particular, I wanted to understand in more detail *why* we were doing certain transactions and how financial institutions evolved the way they did. These primary factors contributed to my decision to pursue graduate school.

In what academic areas did you focus during your PhD course work?

At the University of Chicago, I was in the Department of Economics. Initially, you are required to study economics broadly, including macro, micro, econometrics and various field studies. Upon passing the qualifying exams, I concentrated on financial economics. Given my background in financial institutions, this was a natural decision.

On what topic areas are you now focusing your research?

Research areas tend to be pretty concentrated. Right now, I'm focusing on the governance of money management firms, such as mutual, closed-end and hedge funds, and the effect these institutions have on the governance of the firms they invest in. Right now, I'm looking at how hedge fund actions affect the governance and performance of companies. While I believe that the corporate governance issue is a qualitative one overall, I'm trying to do some quantitative research on it. I have already studied pension, mutual, and closed-end funds—so it is time to look at hedge funds. This is a pretty deep field, as the roles that money management firms play are constantly evolving.

How did you come to be interested in this topic for your research?

This is a very fast-growing industry and an extraordinarily profitable one as well. So I became interested in why these firms as a whole can be so successful and what their impact is on the companies that they invest in. The fascinating thing is that money management funds per se have become corrective forces to regular corporations. For example, if a company is mismanaged and its stock price plunges, a hedge fund might come in and challenge the management. For mutual funds, such as TIAA-CREF or Fidelity, they hold large shares of other firms. So if those firms try to do something that hurts shareholder interests, these big mutual funds are likely to be quite vocal in terms of corporate governance. What I find remarkable is that money management firms are important forces in the governance of regular firms, but they themselves are also subject to corporate governance issues. So the potential exists for a conflict of interest between shareholders, managers and directors within such firms. That's why this topic is doubly interesting.

What is the major take-away from this research?

There are two major reasons why the stock price of a company can deviate from its potential value: first, pure mispricing due to market frictions or, second, mismanagement or conflict of interests within the firm. I'd like to understand better the market forces that can push a stock price back to its potential value when such a deviation exists, for either of the two reasons. There are policy implications as well. For example, how to improve the market conditions so there is less of such deviation. This goes back to the first lectures of corporate finance class: the goal of firms is to maximize shareholder value. I'm interested in this research because it highlights one way of achieving that goal.

How significant is the international component of your work?

In the past when people talked about "international," they had in mind about a couple of geographically separated markets. But today the correlation of most markets is definitely

increasing. You can see certain events happening in one financial market quickly spreading over to the others. The world, especially the financial markets world, is increasingly coming together and has more common factors that affect and influence its movement.

As far as my work, when I was working in Shanghai almost 10 years ago, my interest was in the U.S. At that time, my knowledge about the U.S. market and my experience working for a U.S. firm *was* my international experience. I certainly believe that international experience helped me to get into graduate school and to find my current job, so for that I am grateful. Now, it's flipped: I'm based in the U.S.—I'm working and living here—so my exposure to China becomes my international part. To a certain extent that's good. A friend of mine once jokingly told me that I'm so well hedged, because within the next 20 years either China or the U.S., one of them is bound to be the economic leader, so I can make a living in either of these markets. So I am happy with my international exposure in either direction.

Are you involved in any projects in China?

I go back at least once a year and will probably try to do another shorter trip each year going forward. I also read Chinese newspapers every day. Then last year, I joined a program that really interested me. The National Accounting Institute of China set up a corporate governance incubator program which brings together young scholars. "Young" refers not to their age but rather to the system they've been trained in. Basically, these individuals have experienced the similar curriculum and instruction as students in the U.S. This is a new thing, of course, because in my generation we were trained in a completely different way in our college years. So this program brings scholars together to exchange their research, give presentations and seminars, and participate in discussions. I was asked to be an overseas mentor, and I have served on their committee for over a year.

I will also be participating in an annual camp attended by 20 to 30 of these young scholars. This intensive two-day event allows for scholars to informally distribute their research and working papers and give comments to each other. The participants will mostly be senior PhD students or first- and second-year assistant professors. These individuals will become the mainstream researchers in China for the coming decade. This development is very hopeful, because these scholars are so much better trained than those from the "old" system.

On my yearly three-week trip to China, I spend two weeks keeping contact with people from top business schools, the stock exchange and main banks. I try and meet with former classmates and friends working in those places. I feel this is an efficient way to get

an annual update on what's going on, what issues are important and what people are concerned about and interested to know about in China.

Can you share some insights from your involvement in China?

Looking at China is like watching a movie in fast-forward—what China is achieving in two or three years in terms of economic progress would take a decade elsewhere. Inevitably, all issues (negative ones) get amplified, especially corporate governance and social tension. China today reminds me of the robber baron era in the U.S. in the early 1900s. To me, the corporate governance issue is really a conflict of interest issue that's reflected in different ways. Many times the cases you see in China are just exaggerated cases you'd see elsewhere. I hope that I will have more opportunities to collaborate with scholars from China.

Would you like to teach abroad, in particular, in China?

I'd like to, and it's definitely a close possibility. Even now Columbia has collaborative programs with international universities, including Fudan University, where I graduated from. So it's only natural at some stage to do short term teaching overseas. I'd certainly be happy to try it.

Any advice you'd like to give to business school students based upon your own experiences?

I would spend time understanding the world outside the U.S. and be prepared for global competition. I came into this system from the outside, so I had to have an appreciation of the larger world. The U.S. is no doubt still the center of the economic world—but it's not the whole world. Having a broader view will be more important going forward.