



A Message From the Co-Directors ...

Esmeralda O. Lyn, Ph.D. and George J. Papaioannou, Ph.D.

Four years after the financial crisis of 1997 in East Asia and three years after the 1998 Russian debt default, the need as well as the strife for better and more harmonized corporate governance has emerged as a major issue similar to the earlier call for a new global financial architecture. Whereas the latter is needed to reference the systemic risk of the global financial system, the former is required in order to facilitate the move towards global financial integration through the cross-border flow of investment capital. Improvements in both cases will ensure more even protection of investors and more efficient allocation of economic resources.

By now it has become clear that financial architecture and corporate governance are intrinsically intertwined. Indeed, reform in corporate governance is not possible without the design of an impartial financial architecture. By that we mean a financial system that does not favor and sustain preferential and symbiotic relationships between banks and selective industrial groups. Consider, for example, the securities market. There are both demand and supply reasons that could affect their development. On the demand (for securities) side, inadequate corporate governance in relation to information transparency and the protection of the outside, and especially minority security holders, can stymie the flow of capital to the securities markets. On the supply side, excessive reliance on bank financing and state subsidies reduces the need to seek capital in the public markets through the flotation (supply) of new securities and, hence, undermines the need to address the interests of outside security holders. It is easy to understand why, in such financial systems, corporate managements have no interest in supporting reforms in corporate governance.

The good news is that corporate governance reforms are currently under way in many parts of the world. In Europe, the Cadbury Committee proposals in England and Vienot reports in France are credited with the new rules that introduce stronger checks and balances in corporate boards. The European Union has just approved regulation that restricts managements' discretion to fend off takeovers by giving shareholders a stronger

voice in determining the fate of corporate targets. In Russia, a loosening of the ties between banks and the state, on one hand, and the corporations, on the other, is forcing industrial groups to rely on more external financing from nonaffiliated banks and the open market. Investor activism, for example, through the Investors Protection Association is prompting Russian firms to become more transparent and responsible towards their capital providers. In East Asia, the demise of the banking sector has pushed corporations to raise more capital in the securities markets. Japan, especially, is experiencing a significant transformation, as the main-bank system within the keiritsu organizational form is in a withering stage. The credit crunch is forcing Japanese firms to go to the open public markets for new capital and seek economic efficiencies through restructurings. As a result, the number of M&A deals in Japan has grown impressively through the second part of the 1990s, though still far behind the number of deals in the United States and the E.U. In China, the international flotations of securities and foreign listings compel firms to upgrade their corporate governance systems. These developments suggest that private industry initiatives, regulatory as well as market forces, are coming to bear on corporate governance reform.

Steady progress toward improving and harmonizing the corporate governance system on an international scale will have an important implication for the structure and level of business activity within the financial services sector. Improvements in transparency and the protection of outside security holders and less managerial resistance takeovers will favor the growth of operations in the securities and corporate acquisitions markets. This suggests further erosion of traditional bank-based financing, and greater demand for services in the areas of underwriting, corporate finance and restructurings, and international asset management. These prospects are already reflected in the current wave of international consolidations of financial services firms.

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The Merrill Lynch Center Mission Statement:

*Established to promote and facilitate
faculty and student study in the field of
international financial services and markets
and to communicate knowledge to
the academic and business communities.*

A Message From the Editor ...

Professor Gioia P. Bales, Merrill Lynch Center Coordinator

The Merrill Lynch Center continued to provide forums for the exchange of timely information on the global financial markets during the 2000-2001 academic year. In particular, two major events highlighted our activities this year. In November, the Merrill Lynch Center and the Frank G. Zarb School of Business hosted a major European conference on the important topic of financial modeling at the Yale Club in New York City. Working with the Erasmus University-based "European Working Group on Financial Modeling," the conference assembled 35 experts representing institutions from more than 20 countries (see story below). In May, the Center turned its attention to the very important topic of the role of the analyst and the impact of the newly-instituted Regulation FD. The perspectives of industry, Wall Street and academia were brought together in a lively panel discussion (see story page 7).

Plans are well underway to continue the Center's mission in the 2001-2002 academic year. In November, we will host a conference on marketing issues facing financial service firms as they adapt to the changing business environment brought on by increased globalization, deregulation and the spreading of new technologies. For details on this conference and how to register, see the story

on page 8. In spring 2002, the Merrill Lynch Center expects to present a one-day conference on "Corporate Law, Feminist Jurisprudence and Critical Race Theory: A Model for Racial and Gender Equity in global and Domestic Markets."

To further encourage the study of international financial services and markets, the Merrill Lynch Center presented its first "Best MBA Thesis" award to Ye Yang, an international student from Beijing. Her thesis, "Shareholder Benefits for Real Estate Investment Trust Joint Ventures in the 1990s" is the only published research to date that has found a significant positive wealth effect for international joint ventures parented by American real estate firms. Congratulations to Ye Yang, a May 2001 finance graduate of the Frank G. Zarb School of Business.

The Merrill Lynch Center also wishes to thank Dr. Esmeralda Lyn for her diligent efforts in creating, promoting and directing our endeavors over the past five years. Dr. Lyn announced her resignation as the Center's Co-director, effective August 31, 2001. She will remain at Hofstra University, focusing on her teaching and research projects. We are confident that she will remain a true supporter of the Merrill Lynch Center.

Issues of Cross-Cultural Communication in the Era of Globalization

By Susumu Yoshida

THE INCREASING IMPORTANCE OF CROSS-CULTURAL COMMUNICATION SKILLS

Businessmen who visit foreign countries often feel uneasy if they lack cross-cultural communication skills. That is troubling when the economic activities of almost all the countries in the world are becoming increasingly intertwined and person-to-person contact opportunities increase immensely. With the advent of the IT Revolution, great innovation in computer science and telecommunication systems has brought about a new paradigm for business and industry. Information exchange and business transactions can be done at the speed of light by the Internet and e-mail with practically anyone living in any corner of the world around-the-clock. Thus, emerging forces are causing significant changes in the corporate structure.

Thus, cross-cultural communication is becoming increasingly important in the era

of globalization. But few people realize how great the communication barriers can be.

It is unfortunate when misunderstandings interrupt business negotiations and government-to-government dialogue because of lack of effective cross-cultural communication skills, leading to irritation and even distrust between the parties concerned.

More often than not, problems arise from differences in communication style. For example, Westerners do not fear confrontation or conflict to the same degree as the Japanese. They do not hesitate to say "No." On the other hand, the Japanese often use ambiguous expressions such as "It's difficult," or "I will think about it" instead. They use such expressions to minimize friction and to avoid confrontation and hurting others' feelings. While this is an integral part of Japanese communication skills, trouble begins when a Westerner's understanding is different from what his Japanese

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counterpart means. Westerners who expect clear answers are often confused by such style of communication.

DIFFERENCES BETWEEN EASTERN AND WESTERN THOUGHT

While diversity makes the world more interesting, we need to be aware of significant differences between Eastern and Western thought. In the Judeo-Christian tradition, great importance is attributed to words. The basic approach to cognition and communication in that tradition can be seen, for example, in the Gospel According to St. John: "In the beginning was the Word, and the Word was with God, and the Word was God."

Hence, Westerners are very much dependent on words. Since the time of Aristotle, they have been accustomed to seeing things in terms of a choice between alternatives. For example, "war or peace," "friend or foe," "good or bad," "fair or foul." Such clear-cut distinctions have provided Westerners with their basic pattern of thought and behavior. It is rather difficult for Westerners philosophically, psychologically and linguistically to recognize and accept the existence of a "fuzzy in-between."

Eastern philosophy differs strikingly. Traditional Eastern ways of thinking de-emphasize "words." For example, in the philosophy of Lao-tzu the founder of Taoism, one does not find such concepts as "the Word" as the basis for existence. To Lao-tzu, the word was neither "with God" nor "God." He rejected any distinct order and saw the world and human life in terms of non-rational "process." Lao-tzu put greater value on "life" than "words." Hence, at the heart of Eastern culture, there is a disposition to try to hear things that have no voice. Lao-tzu also said, "He who knows, doesn't speak. He who doesn't know, speaks."

FEATURES OF THE JAPANESE COMMUNICATION STYLE

An acute observer from the West provided a fascinating perspective on the Japanese communication style. In his insightful booklet titled *Zen in the Art of Archery*, Dr. Eugen Herrigel recognizes the essential features of Japanese communication style. Determine to grasp the essence of Zen Buddhism, the author enrolled in a local school of traditional Japanese archery and practiced diligently for five years under the guidance of a Japanese master. He recognized that Zen had a great deal to do with the art of archery, not so much with shooting technique per se as with the state of mind of the archer. The attitude of the master of archery is one of complete self-abandonment. Free from

interfering calculation, he draws his bow spontaneously, with no deliberation, fear, doubts or hesitation.

In contrast to Westerners who depend on words, the Japanese can fully communicate through simple indications or hints. To them, words are merely an indication leading to the meaning, and the meaning itself is buried between the lines without being explicitly expressed in a way that would be immediately understood by Westerners. In Japanese-style communication, what is uttered can be fully understood only by those who have had a similar experience.

I have learned that Westerners also accept ambiguity in their daily life. A British friend of mine told me that the British ruling classes have always used a good deal of ambiguity to avoid embarrassment and are often as careful about what they say as what they leave unsaid. The traditional way The Bank of England disciplines city bank management is said to be through a cup of tea and a raised eyebrow. This is a discreet way of appealing to a person's sense of what is right!

Not all Asians indulge in ambiguous expressions. For example, Koreans are known for being straightforward and for expressing their principles explicitly, especially to outsiders. Perhaps it reflects their history of surviving many hostile encounters where there was little room for ambiguity. Their verbal ability seems to be serving them well. In diplomatic discourse, Korean leaders seem to outperform their Japanese counterparts. In fact, the leaders of other Asian nations often interact better than the Japanese at international gatherings.

The Japanese took great pains to digest and amalgamate other cultures with their own traditional culture in a natural blending process. The Eastern philosophies of Buddhism and Confucianism have profoundly influenced the Japanese. The Japanese have assimilated two key principles that now constitute essential elements of their thinking: The Confucian concept of "harmony" and the Buddhist concept that "the inner self of man and the inner essence of the universe are one."

The latter concept stems from the basic principle of the Upanishads philosophy conceived in ancient India. It implies that through a long process of training, reflection and meditation, an enlightened individual can realize that his "individual self and the universe are one." This metaphysical identity of man with the universe leads to the concept of "non-self" or "transcendence of one's ego," and underlies the basic religious beliefs and social conventions of the Japanese. It not only is a goal of Japanese spiritual life but also provides a foundation for the concept of



Mr. Susumu Yoshida is general manager of corporate planning & coordination office of Sumitomo Chemical Company in Tokyo and concurrently serves as managing director of Sumitomo Chemical Asia, Ltd., headquartered in Singapore. He is a member of the Merrill Lynch Center Advisory Board.

"teamwork" embedded in modern Japanese corporate culture.

I must emphasize that this doctrine is not unique to the East. In his very enlightening book, *The Conquest of Happiness*, eminent philosopher Bertrand Russell wrote: "Civilized man must enlarge his heart as he has enlarged his mind. He must learn to 'transcend self,' and in so doing to acquire the freedom of the Universe." **When I came across the profound wisdom of the British philosopher, I felt optimistic about intercultural communication between East and West because it suggests a commonality that can provide us with a solid basis for deeper human understanding.**

JAPAN'S EXPOSURE TO THE WEST

Compared to Japan's absorption of Eastern cultures over many centuries, its encounter with the West took place in a relatively shorter initial period of time and within the context of a national crisis. It was in the middle of the 19th century when Japan had its first major encounter with Western culture and the English language. In 1853 Commodore Perry knocked at Japan's door and his arrival began Japan's full-fledged acquaintance with the West. Japan was thrust into a direct encounter with the Western powers equipped with superior science and technology. It was a reluctant but unavoidable awakening for Japan. Some view this as the beginning of "Japanese-style diplomacy" whereby the government reluctantly responds to external pressure, even using it to their advantage in order to change domestic policies.

In 1868 the Emperor of Japan recaptured power from the Tokugawa Shogunate. This revolutionary step was called the "Meiji Restoration." It marked the end of more than

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350 years of comfortable seclusion. Once Japan opened up to foreign nations, Japanese leaders gave serious thought to how to build a strong and competitive national economy. In order to fill the big technological gap, frantic introduction of technologies and institutions from Europe and America began. Within several decades after the Meiji Restoration, Japan became transformed from an agricultural state to a modern industrial nation.

The basic approach that the Japanese took for industrialization was “Wakon Yosai.” “Wakon” means literally Japanese ethos and “Yosai” is Western technology. “Wakon Yosai” means introducing Western technology while keeping the Japanese ethos intact. This was a spontaneous response of the Japanese to the threat of losing their nation's independence to aggressive Western powers in the mid-19th century. Hence, the earnest wish of the Japanese since the Meiji Restoration has been to catch up with the West. The Japanese have harbored these aspirations ever since.

ESSENTIAL FEATURES OF MODERN CAPITALISM

What are the key elements necessary to develop modern capitalism? Broadly speaking, a society must be organized to bring about the maximum accumulation of capital for the growth of the economic pie. For this, two types of human beings are required: the capitalist and the worker. The capitalist is theoretically entitled to consume the larger portion of the pie but is brought up in practice not to spend but to save for future capital investment, and the worker must diligently perform his or her job as if it were an end in itself. In America, savings, hard work and willingness to learn can be traced back to people such as Benjamin Franklin and even earlier, to the Pilgrims.

In the case of Japan, the people had limited exposure to Protestantism because of its national policy of seclusion from the early 17th century till the mid-19th century. But a group of thinkers in the 18th century, preached the virtues of diligence and hard work. They argued that devotion to work, however simple and monotonous, whether it be farming, commerce or craftsmanship, was part of religious practice and a concrete means to spiritual enlightenment. According to these thinkers, profit-making and saving money were not immoral activities. **Thus, from early in modern Japan, saving money became a virtue and economic growth a national objective.** The strong propensity to save reflected a general awareness among the Japanese that their national economy was small and that they would always need to husband limited capital as well as natural resources for future growth.

Finding a feasible path to industrialization in the information-oriented world is a profound challenge for the leaders of the developing nations. They can be often caught in a dilemma. On the one hand, if the pace of economic development is too slow, their performance does not measure up to people's expectations. On the other hand, if the economy grows too fast, society will become extremely unstable, resulting in the kind of social upheaval that we have observed in a number of developing countries in the world. Thus, in the process of industrialization, it is a fundamental issue for the leaders of the developing nations to maintain an inner balance between their traditional values and the impact of new science and technology.

Given the overwhelming evidence of vast income disparities, can the leaders successfully convince the vast population that such disparities are a necessary stage in the transition to a market-oriented economy, with the promise that the day will come when there will at last be enough to go around? I believe that cautious optimism is justified. The spread of modern technology and industrial processes and of education and political awakening is changing the nations of Asia. For the first time in their histories, many Asian countries can afford to provide adequate nutrition, housing and education for their people, and are able to instill in them optimism about the future and healthy national pride.

FEATURES OF JAPAN'S MODERNIZATION: “WAKON YOSAI”

I discussed earlier that Japan had no alternative but to follow “Wakon Yosai” policy, or Western technology and Japanese ethos as its strategy for dealing with its national crisis. The strategy had positive and negative repercussions, and the latter have become increasingly apparent.

The greatest advantage was that Japan could quickly, and more or less arbitrarily, introduce Western science and technology with relatively little social unrest. In the process of Japan's industrialization, government bureaucrats played an important part in establishing national goals and guiding the functioning of its capitalistic system. Because Japan possessed limited natural resources, it was necessary for the government to lead to ensure that available resources were properly allocated all the time. On the other hand, an apparent handicap of the “Wakon Yosai” strategy was that Japan did not experience the most fundamental kind of foreign exposure.

Indeed, the Japanese have never experienced a situation where cross-cultural communication became a necessary condition for survival, except for a relatively short period after the Second World War. Hence, Japan's contact

with the outside world has been largely one-way. There has been an enormous amount of information flowing into Japan, but comparatively little has been dispatched from Japan to the rest of the world. Some people compare Japan to a “black hole” that absorbs everything, including light, but emits nothing.

Traditional Japanese communication style is essentially intuitive, since the Japanese originally had no pressing need to explain national objectives to outsiders. This can often give Westerners the impression that Japan cannot adequately present principles or accountability for national goals.

ON THE THRESHOLD OF “GLOBALIZATION”

We are in the early days of the “borderless” economy. World markets are becoming essentially one. Corporations are increasingly looking at the free flow of goods and services as well as information as the pathway to growth.

The procurement of a new excavator by a municipality called Greece, a small town outside Rochester, New York, demonstrates an interesting fact about the extent of internationalization taking place in the market place. Driven by a “Buy American” campaign, the town council decided in 1991 to purchase an excavator that had “John Deere” on the name plate rather than a Komatsu excavator made by the Komatsu Dresser Company, a U.S.-Japanese joint venture in Illinois. The Komatsu machine cost \$15,000 less than the John Deere model. The people of Greece found later that the Komatsu model was actually made in America of mostly American parts, whereas the John Deere model, though it had an American engine made in the United States, was assembled in Japan. Needless to say, everyone is acutely aware of the unprecedented changes in the international economic environment and the need for industries to speedily adjust if they want to survive and prosper in the era of the new industrial revolution. **Reflecting this, “globalization” is the principal national agenda for action.** Many see the task as one of necessary adjustment of social and economic systems to equip the nation for dealing with a complicated and challenging future.

All of us must prepare for an increasingly globalized economic environment, and this highlights the long-term importance of creating cross-cultural training opportunities. It is also of essential importance to mobilize our resources toward developing the informational, negotiating, and communication skills needed to communicate effectively with each other and establish a true identity in the global community.

INSPIRED International Study Program for the Implementation of Regional Development

By Susan Carpenter, *INSPIRED* Director

The INSPIRED program made its U.S. debut at Hofstra University during the summer of 2001.

INSPIRED is an educational program that focuses on how regional businesses develop and the impact of business activity on regional growth. The program is designed to show regions' political economies and the environments in which businesses operate.

The three-week program is based on the premise that before making the crucial decision to engage in commerce in countries where businesses operate in different social and economic environments business people should have a general understanding of those countries' systems. The most effective method of study is direct observation of countries regionally because regions in the same country may differ dramatically from others, despite proximity. By going directly to various regions of countries where they are considering doing business and seeing how those regions develop economically through local business activity, business owners will gain a good perspective of the national economic climate. They can meet with potential business partners, who own firms in those regions before they return home. In addition, through the use of the Internet they are able to continue to communicate with their new business contacts, confident that they know the economic climate of the region where they are doing business.

TARGET PARTICIPANTS

The participants targeted for the program are owners and middle management from small- and medium-sized businesses, entrepreneurs, local government and university students.

LOOKING AT REGIONAL ECONOMIC DEVELOPMENT

Participants learn about a specific region's economy and markets through a series of lectures about the region's economic history, support services from local banks and local, state and federal government agencies and from the region's university. Business people speak about their enterprises and their involvement in community development. Participants are taken to local retailers to view market conditions and consumer behavior and also to industrial parks. There is also on-site observation of businesses that use the Internet to engage in commerce with companies in other countries.

During the final week of the program, the participants have the opportunity to visit local firms and observe local business daily operations. They also will be able to network with local business owners, who are considering doing business in the participants' countries.



Susan Carpenter

THE STORY BEHIND THE INSPIRED PROGRAM

Most commentators would agree that regional development plays a major role in a country's total economic well-being. However, the tax structure in Japan gives prefectures little leeway to plan economic policy without significant involvement of central government. The term "thirty percent autonomy" refers to the size of most of the prefecture's budgets. By and large, there is great dependence on central government for subsidies and loans. I felt that the prolonged recession would inevitably force a change in tax structure that would give the prefectures more autonomy in developing local economies. Therefore, it can be argued that in preparation for this time, staff from the prefectural governments should receive training and work experience in countries where regional economies had already matured or were in the process of developing without a dependence on central government budgets.

Therefore, I thought it would be interesting to take some of the representatives and show them how regions developed historically and economically. We went to the homes of American presidents, industrialists and writers and to railroad and industrial museums. We went to government agencies and banks that provided services to small businesses. We went to retail outlets to get a sense of consumer behavior, to financial institutions to see services offered to corporations and the marketing of these services. **Consequently, they were able to analyze more effectively what they read in the newspapers about America because they had been exposed to some of the areas they were reading about.**

Nonetheless, I felt that at best, they had only a superficial understanding of American society and economy. From my own experiences, I knew that the most effective way to learn about a country's political economy was to live there and work with the local population. **As far as**

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I knew, there was no program in effect that was specifically designed to promote the study of regional development and no program that targeted Japanese staff from local government or small business. Staff from multinational corporations and central government ministries went abroad regularly to receive higher degrees at universities but the education of other sectors had been overlooked or ignored.

When I met Professor Kano, the Co-Director of this program, we found that we shared the same vision. Also, he felt that the use of the Internet would aid substantially in the development of regional businesses and suggested including e-commerce training in the program. Subsequently, we formed a company to implement the program. Although we planned a one-to two-year course of study as a part of an M.B.A. program, it became clear that logistically it was difficult to send an employee for a period longer than one month. Thus, the program was adapted to three weeks. **This summer the program**

took place from July 23 through August 10 at the Scott Skodnek Business Development Center at Hofstra University in Hempstead, New York. Hofstra is a good example of a regional university where small business owners can take courses that will help them in the operation of their businesses. The Small Business Institute, the Merrill Lynch Center for the Study of International Financial Services and Markets and the Center for Entrepreneurship Development are located in the Business Development Center and offer a number of programs that support small business development.

INSPIRED For Americans

We have also designed an INSPIRED program for Americans. Targeted participants are business owners who are considering doing business in Japan and would like to know more about Japan's political and economic environment, regional markets and consumer culture. They also will have the opportunity to meet the Japanese participants of the INSPIRED program.

The MLC Hosts Seminar on Analysts and Corporate News Disclosure

On May 4, 2001, the Merrill Lynch Center hosted a panel titled "Wall Street Analysts and Corporate News Disclosure: Have the Crystal Balls Turned Cloudy?" at the Hofstra University Club. The purpose of the panel was to discuss the process of corporate news disclosure, the effect of SEC regulations, including the recently released Regulation FD (Fair Disclosure-material information must be released to everyone at the same time) and how Wall Street analysts fit into the picture. The speakers included Professor Richard Mendenhall from Notre Dame, Michael Thompson, co-founder and co-president of BulldogResearch.com, and Irwin Simon, chairman and CEO of The Hain Celestial Group Inc., a billion-dollar corporation. Professor Steven Krull of the Hofstra Finance Department and Merrill Lynch Center moderated the session.

Mr. Simon discussed the corporate viewpoint of news disclosure. He commented that prior to Reg. FD, he was able to answer most analysts questions. Now however, Hain's lawyers must approve information before it is released. For example, when announcing quarterly earnings, the process is: 1) write up a release, 2) lawyers review, 3) P.R. review, and 4) lawyers review with total expenses running more than \$25,000 per quarter. Mr. Simon went on to mention that Reg. FD could lead to a rash of lawsuits since the definition of material information is unclear, leading to unnecessary legal expenses and poor use of the CEO's time.

Professor Mendenhall reviewed the literature regarding analyst performance, mainly in the area of earnings forecasting. He pointed out that analyst forecasts improve as the earnings announcement date is approached. He noted that fiscal year forecasts tend to begin the year optimistic and become pessimistic prior to announcement. Despite analysts often missing the mark, it was noted that they outperform naive and/or time series forecasts. In summary, analysts provide valuable information.

Mr. Thompson discussed a study done at BulldogResearch on the topic of Reg. FD that was quoted in the *Wall Street Journal*. In particular, the study indicated that the variance of analyst estimates has increased since the implementation of Reg. FD and the forecast accuracy seems to be somewhat worse. This suggests that companies are releasing less information for fear of being sued. Mr. Thompson said that despite this, Reg. FD is still a useful improvement since it more fairly distributes information. Regarding analyst recommendations, he pointed out that for many analysts, compensation is dependent on investment banking relationships. This causes analysts to rarely issue sell recommendations (resulting in a positive bias).

Professor Krull summarized by suggesting that Reg. FD is a good idea, but that the SEC should define what material information is in order to reduce the potential number of lawsuits.

The Associates are the backbone of the Merrill Lynch Center, representing Hofstra faculty from a wide range of disciplines. Each of our 19 Associates is committed to contributing to the study of one specialization within the field of international financial services and markets. Their responsibilities include: maintaining current familiarity within their area, preparing one review paper every two years and initiating programs - such as seminars and symposiums - to further enhance and expand the knowledge and understanding in their areas.

Specializations include:

- Emerging Markets
- International Investments
- Derivatives
- Law and Regulation
- Information Technology
- International Economics
- Marketing of Financial Services
- International Banking
- Accounting for International Markets and Services
- Management and Organization of Financial Services
- International Investment Banking

American Stock Exchange and OPENLINK Financials Sponsor Academic Conference

The Frank G. Zarb School of Business and the Merrill Lynch Center hosted a major European conference at the Yale Club on November 16-18, 2000. Dr. Anoop Rai, of the Department of Finance and Merrill Lynch Center, organized the conference on behalf of the European Working Group on Financial Modeling. The group, based at Erasmus University in the Netherlands, has a membership of more than 300 finance academics and practitioners primarily from Europe.

A total of 35 authors representing institutions from more than 20 countries presented papers on a range of topics related to financial modeling. The countries included Austria, Belgium, Canada, Croatia, Cyprus, England, France, Germany, Italy, Lithuania, Netherlands, Norway, Poland, Portugal, Scotland, Spain, South Africa, Slovenia, Switzerland and Turkey.

Three distinguished academics were invited as keynote luncheon speakers: Dr. Marty Subrahmanyam, the Charles E. Merrill Professor of Finance and Economics, New York University; Dr. Allen Berger of the Federal Reserve Board and the University of Wharton's Financial Institutions Center; and Dr. Anthony Saunders, the John M. Schiff Professor of Finance and Economics, New York University.

The conference received financial support from the American Stock Exchange and OPENLINK Financials. Mr. Salvatore Sodano, president and CEO of the American Stock Exchange and Mr. Coleman Fung, CEO of OPENLINK Financials, are long-time supporters of the Frank G. Zarb School of Business.

Dr. Guiseppe Castellacci and Dr. Michael Siclari from OPENLINK Financials provided an overview of the new methodologies in risk management during their keynote dinner address. In his keynote dinner address Mr. Joseph Stefanelli, executive vice-president of derivative securities from the American Stock Exchange, provided an overview of the new role of stock exchanges in today's changing global markets. In particular, he highlighted the difficult challenges that face stock exchanges in the presence of changing technology.

Several of the papers presented at the conference will be peer-reviewed and published in a special finance issue of the *European Journal of Operations Research*. Dr. Anoop Rai and Dr. Nico Van der Wijst of the Norwegian University of Science and Technology are co-editors of the special issue.

Award for Best Occasional Paper

The Merrill Lynch Center invites academics to submit papers, which will be included in the Center's Occasional Paper Series. We are interested in papers that cover significant new developments in the financial services sector and/or markets of national or regional economies outside the United States. Interdisciplinary topics are welcome. An award of \$500 will be given to the best paper submitted each academic year. For inquiries, contact the Director of the Center.

If you would like additional information regarding the Merrill Lynch Center, please contact us at:

**Frank G. Zarb School of Business
134 Hofstra University
Hempstead, New York 11549-1340**

**Telephone: (516) 463-5703/5141
Fax: (516) 463-4834**

**For an updated list of our programs, visit us at our Web site:
<http://www.hofstra.edu/BDC/programs>**

**THE MERRILL LYNCH CENTER
FOR THE STUDY OF
INTERNATIONAL FINANCIAL SERVICES AND MARKETS**
PAST AND FUTURE
ACTIVITIES REPORT: 1998-2001

October 1-3, 1998

"Financial Services in the Evolving Global Marketplace: Approaching the Next Millennium"
Three-day international conference.

October 30, 1998

"The Long Term Capital Management Debacle: Lessons and Implications"
Faculty panel discussion.

November 18, 1998

"The World of International Finance: A New Role for the World Bank/IMF?"
Lecture by Eugene H. Rotberg, former vice president and treasurer of the World Bank and former executive vice president of Merrill Lynch & Co.

March 26, 1999

"The Global and Legal Impact of the Y2K Problem"
Seminar by Dr. Laura Lally and Mr. Charles Kerr, partner, Morrison & Foerster, LLP.

April 23, 1999

"Asia: The Road to Recovery"
Panel presentation by the chief representatives of the Bank of Korea, the Reserve Bank of Australia, the Hong Kong Monetary Authority, and the director of the Hong Kong Economic and Trade Office.

May 5, 1999

"The Euro and Its Impact on U.S. Business"
Lecture by Ernest T. Patrikis, special advisor to the chairman, American International Group, at the business executive breakfast jointly sponsored by the MLC and the Hofstra University Scott Skodnek Business Development Center.

"The Impact of the Euro: U.S. Firm Operations and Investors"

Symposium with panel presentations by faculty, investment, banking and business speakers.

December 10, 1999

"Financial Information Technology"
A panel discussion featuring professionals from ECN, OPENLINK Financial, Hyperfeed Technology and Money Line.

March 17, 2001

"Broadband and Wireless Technologies--What are they? Who are the public and private companies poised to take advantage of this tectronic shift?"
Presentation by Evan Misshula, managing director, Sane Capital Partners

May 10, 2000

"The Strategic Impact of Mergers in the Financial Sector"
Presentation by John Morris, managing director, Salomon Smith Barney.

November 16-18, 2000

"International Conference on Financial Modeling"
Conference held at the Yale Club, New York City

April 25, 2001

"The Culture of the New European Multinationals"
Presentation by Dr. Irene Finel-Honigman at Hofstra University

May 4, 2001

"Wall Street Analyst and Corporate News Disclosure -- Have the Crystal Balls Turned Cloudy?"
Panel Discussion held at Hofstra University

**MARK YOUR CALENDAR
Friday, November 16, 2001**

The Merrill Lynch Center to Hold a Conference on the Marketing Issues Facing Financial Services Firms

In recent years, the financial services industry has witnessed several major changes in its business environment. Prime examples of these changes include the broadening of globalization and regionalization efforts, the occurrence of financial crises in emerging regional markets, the proliferation and acceleration of deregulation initiatives in many developing as well as developed countries, the advancement and spreading of new technologies (particularly in the Internet communication and online investing areas), the heightening of investor expectations, and the rising impatience of investors worldwide. Facing environmental turbulences such as these, financial services firms large and small need to critically evaluate their marketing strategies and make more informed decisions on what to offer, whom to offer, where to offer, how to offer.

It is by no coincidence that this year, The Merrill Lynch Center for the Study of International Financial Services and Markets at Hofstra University plans to hold a conference on the marketing issues facing financial service companies. The conference, to be held Friday, November 16, 2001, will be a one-day symposium consisting of one main session (speech and discussions over breakfast) and three regular sessions.

- The **main session** will focus on the merger and acquisitions of financial services companies and the integration of financial services and the practice of one-stop shopping made increasingly possible as a result of industry consolidation.
- **Session one** will emphasize the interface between financial services companies and their customers in the new marketing environment. It will include discussions on the market segmentation, targeting and positioning strategies of financial services firms.
- **Session two** will overview the emerging trends in the global business environments facing financial institutions, examine the methods of country risk assessments, and investigate how firms should reformulate their marketing strategies in response to these changes.
- **Session three** will feature discussions on the issue of technological innovations and their implications for the production, communication, delivery and customer evaluation of financial services.

The speakers at this conference will be comprised of business executives and academic experts in the field of financial services marketing from around the country.

The target audience will be professionals from firms and not-for-profit organizations, faculty and students.

Interested parties, please contact Professor Gioia Bales at the Merrill Lynch Center (fingpb@hofstra.edu) for more information on the complete conference programs and fees.