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## Services technology, strategy, and performance: introduction to a special issue on financial institutions in the global economy

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**Biographical notes:** Hsien-Chang Kuo is the President of Takming College and a Professor in the Department of Banking and Finance at National Chi-Nan University (NCNU) and Takming College, Taiwan, ROC. He holds the PhD in Institute of Management Science from National Chiao Tung University. Kuo has served as Chairman in Department of Banking and Finance at NCNU, and edited a Special Issue of *International Journal of Services Technology and Management* and *International Journal of Risk Assessment and Management*. He is also the member of Editorial Board in *Review of Securities and Futures Markets* and *Chaoyang Business and Management Review*. Kuo's major researches are bank management, credit evaluation management, and international financial management. He has published more than 30 academic journal articles, such as *Small Business Economics*, *International Journal of Technology Management*, *International Journal of Business*, *International Journal of Risk Assessment and Management*, *Advances in Pacific Basin, Business, Economics, and Finance*, *Journal of Systems Integration*, *Advances in Mathematical Programming and Financial Planning*, *International Journal of Computer Application in Technology*, *Sun Yat-Sen Management Review*, and *Review of Securities and Futures Markets*. He has made more 30 presentations at the academic conferences and supervised more than 15 National Science Council programs.

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It has been noted that globalisation, represented by a growth in international trade, foreign direct/indirect investment, cross-border flows of technology, and financial markets, characterises the diversity and prosperity of contemporary financial activities. Segmentations between some countries and markets are either declining or vanishing, resulting in new integration, new business mechanisms, and new investment behaviours. Meanwhile, innovation in financial products and growing need for professional banking services have pushed the financial services businesses to a historical peak. Furious competition between financial institutions raises a few important questions with respect to efficiency measurement and service quality and strategy.

This special issue of the *International Journal of Services Technology and Management* (IJSTM) attempts to answer the above questions. Tser-Yieth Chen measures Taiwan's bank efficiency and productivity change during the Asian Financial Crisis, and argues that productivity enhancement may not be a result of improvement of efficiency. A misconception in the relation between productivity and efficiency of a financial institution will lead to managerial mistakes. Yang Li enhances a step further and takes

undesirable outputs (for example, non-performing loans) into account when defining efficiency of a bank. Shu-Ling Lin, Soushan Wu, Jack Penm, and Deane Terrell provide empirical evidence for the positive effects of diversification on risk reduction and performance enhancement in the financial service industry. These three papers focus on the efficiency and performance of the banking industry in Taiwan.

We also realise that in Taiwan a proper investment banking system is not well established yet. A journal concerning financial service management should not limit its focus to only measurement issues. In the last decade, IPO, merger and acquisition, and trading and trading techniques have become the most profitable services of a variety of financial institutions. Therefore, the papers published in this special issue should also provide a rich discussion on financial services. Lin Lin, Jennifer Piesse, and David Chou provide inside information about five different types of mergers, characterised by financial statuses of acquiring companies, takeover strategies and takeover outcomes. In light of takeover details from these case studies, this paper points out the complexity and diversity of takeover activities and participants. Huimin Chung and Shumei Chiang turn their attention to market mechanisms and examine whether the introduction of smaller-sized and electronically traded index futures can induce price speculation and destabilise the underlying asset market. This paper addresses microstructure issues with a strong implication for trading strategy. Finally, Leon Li and William Lin use a price adjustment model to explain investors' behaviours, and depict the characteristics of developed and less developed countries. Again, it is a paper with inference about investment strategies. These three papers focus on the services and investment strategies that financial institutions should be concerned with.

Because of its emphasis on measure of performance and investment activities, this special issue does not encompass all topics that are likely to present important challenges to contemporary financial services management issues. As the financial innovation and market integration continue in the future, the complexity of the content of financial services and the measures of financial institutions' performance are expected to increase. More angles, such as behaviour finance approach, in addressing related subjects will certainly enrich the discussion in financial service literature. Overall, the Editorial Board has reviewed around 20 papers among which only six have been accepted after revision. The acceptance rate is approximately 30%. The Board is satisfied with the quality of the accepted papers and the acceptance rate. We would also like to express our heartfelt thanks to Mohammed Dorgham and Liz Harris for their understanding and constant help during the editing process.