

The Hong Kong University of Science and Technology  
Department of Information Systems,  
Business Statistics and Operations Management

Seminar Announcement

***On Designing Optimal Permission Set  
for Project Management***

by

***Dr Erick (Zhaolin) Li***  
***Faculty of Economics and Business***  
***The University of Sydney***

**Date: Tuesday, 14 December 2010**

**Time: 11:00 – 12:00 pm**

**Venue: Room 4379, ISOM Conference Room (Lift 17/18)**

~~~~~ All interested are welcome ~~~~~

**Abstract:**

The large number of white elephant projects (i.e., the projects that at one time showed promise but are not viable in the long run) could waste an enormous amount of corporate and public resources. This paper considers designing rules to eliminate waste when outcome-based incentives are ineffective because of legal constraints or the private nature of some benefits. We focus on the interplay between the rules and the responses of the agent who is better-informed and has uncertain private preference. We consider that project characteristics are two-dimensional. The principal cannot observe the number or the characteristics of projects available to the agent. We demonstrate that the optimal rule is a threshold policy and derive the threshold function explicitly. We then investigate how the degree of preference alignment could affect the optimal rules and the system payoff. We find that a white elephant project is more likely to emerge if available projects are scant or the agent and the principal share common preferences on project selection. When outcome-based incentives are feasible, we develop an incentive scheme to induce the system optimum.

Key Words: Calculus of Variations, Delegation, Orthogonal Transformation, Project Management.

**Biography:**

Dr. Erick (Zhaolin) Li received a Ph.D. in Business Administration from The Pennsylvania State University, a Master of Commerce in Accounting from The University of New South Wales, and a Bachelor of Engineering in Materials Science & Industrial Engineering from Shanghai Jiao Tong University. Dr. Li has been with The University of Sydney since January 2009 and is currently a Senior Lecturer. Before moving to Sydney, he had worked in Ernst & Young LLP, Southern Arkansas University, and City University of Hong Kong. His research has appeared in *Management Science* and *Production and Operations Management*.