The Hong Kong University of Science and Technology

Department of Information Systems,
Business Statistics and Operations Management

Department of Industrial Engineering & Logistics Management

Joint Seminar Announcement

Managing Time-Based Contracts with Delayed Payments

by

Professor Christopher S. Tang
Carter Professor of Business Administration
UCLA Anderson School

Date: 17 November 2008 (Monday)
Time: 11:00 am – 12:30 pm
Venue: Room 4219 (Lift 19)

All interested are welcome

Abstract

Some manufacturers impose a time-based contract on their suppliers under which each supplier is paid only when all of the suppliers have completed their tasks. We investigate whether or not the manufacturer ought to demand such a delayed payment contract. In our model with one manufacturer and two suppliers, we compare the impact of both a delayed payment regime and a no delayed payment regime on each supplier's effort level and on the manufacturer's net profit in equilibrium. With deterministic supplier completion times, behavior and profits are the same for both regimes. However, with uncertainty in the suppliers' completion times, the delayed payment regime is more profitable than the no delayed payment regime if the manufacturer's project is sufficiently small; the delayed payment regime is less profitable if the project is very large.

(Joint work with Dharma Kwon, Steven Lippman, and Kevin McCardle)

Biography

Christopher Tang, a member of the faculty since 1985, served as Senior Associate Dean at the UCLA Anderson School from 1998 to 2002, and as Dean of the Business School at the National University of Singapore from 2002 to 2004.

His research work deals with complex issues arising from production planning, supply chain management and the marketing/manufacturing interface. He has co-edited 2 books and published over 60 articles in journals such as *Management Science*, *Operations Research*, *Manufacturing and Service Operations Management*, *Journal of Marketing Research*, *Production and Operations Management*, *Sloan Management Review*. Moreover, he has served on editorial boards for over 15 journals, including *Management Science*, *Operations Research*, *Manufacturing, Service and Operations Management, and Production and Operations Management.*

In addition to his academic teaching experience at Hong Kong University of Science and Technology, National University of Singapore, Stanford University, and UCLA, he has various executive programs throughout Asia, Europe and Americas. He has advised over 20 multi-national firms such as Amgen, Hewlett Packard Company (world-wide locations), Honda America, Nestlé USA, IBM (world-wide locations).

Chris received his BSc (Hons.) from King's College, University of London, M.A., MPhil and PhD from Yale University.