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A Model to Determine the Skills Needed by Managers in Human Service Organizations
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A Study of College Student Business Media Habits and Perceptions of the Wall Street Journal: Part 2
A Survey of the Status of Supply Substitutability in U.S. Supreme Court and U.S. Circuit Courts of Appeal Cases
A Teaching Approach for Business Ethics
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Accounting Blogging: Status and Trends
Accounting Students Gain a Competitive Edge Competing in Case Study Competitions
Accounting Students’ Perceptions of The Audit Profession: Can We Impact?
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Achieving an Integration of Business Courses in a Service Learning Project
Addressing the Gender Gap in the Workplace
Administrative Grade Changes in a Public University: To “B” or not to “B”
Administrators’ Warfare Against Faculty and Students In Public Higher Education
Age-Related Employment Discrimination: A Transatlantic Comparison of the United States and the United Kingdom
An Empirical Investigation into the Potential Relationship between Emotional Intelligence Levels and Production Results of Insurance Agents
An Examination of the Influence of Contextual and Individual Variables on Public Accountants’ Job Exhaustion
An Explantion of Price Determination
An Integrated Activity Based Management Framework for Canadian National Defence
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AQPQ:What Undergraduate Only Institutions Do Differently
Are First Year Faculty Members at a Disadvantage When Student Evaluations of Teaching Are Included in Performance Reviews?
Asian Merchandise Trade Dominance
Assurance of Learning: A Theoretical Approach to Balanced Scorecarding
Building Better Teams in both Online and Regular Classes by Mixing Personality Temperaments
Business Ethics Education: The Service Quality Perspective
Business Methods Patents and Firm Value: An Events Study
Changes Occurring in Advertising Today
Cheating: Who, Why, and How
Childhood Obesity: Has There Been Market Failure?
Comparing Effectiveness of Classroom & Web-Based Delivery Methods: A Quasi-Experimental Pilot Study
Comparison of Course Delivery Methods
Consider the Contra-Hedge
Curriculum Revision Considerations: The Voice of Experience
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Distributive Justice as a Basis for Ethics Courses
Do Concerns about Error and Profiling Correlate with Students’ Demand for Formal Information Management Procedures at Universities?
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Does the Sarbanes-Oxley Act Promote Ethics in Corporate Governance?
ECommerce in the Age of MySpace.com: Threats & Opportunities
Economists’ Views of Political Decision-Making
E-Government: Challenges and Concerns?
Engaging Students in the Online Environment through Multimedia
Enhancing Professional Standing of MPA Programs Delivered in Asia
Enhancing the Learning of Economic Concepts by Using Graphing Calculators
ERP Implementation in India: An Empirical Study
Ethical Awareness and Consumption Behavior: An Exploratory Comparison Between Environmental and Fair Trade Issues
Ethical Business Decision-Making: A Comprehensive Validation of Forsyth’s Ethics Position Questionnaire
Executive Information Search: Validity Enhancement Through Mixed-Mode Data Collection
Exploring the Motivational Benefits of On-line Formative Assessment in a College Classroom
Faculty Leadership: A Guide for Service to Your Colleagues and Institution
Family Matters! An Analysis of the Impact of Founding Family Ownership on the HR Practices of Publicly Traded Firms
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Group Projects, Exam Structure, and Student Performance in Intro Business and Economics Statistics Course
How Machs Behave: Self and Peer Ratings in a Management Class
Human Resource Practices, Job Embeddedness, and Voluntary Turnover
Hyperlinking to Avoid Transfer Shock
Implications of the 'Three Worlds of Information Technology'
Improving Student Interaction and Course Comprehension in Upper Division Core Business Courses
Improving the Process of Learning in An Introductory Management Class
Incorporating Learning through Doing in Entrepreneurship Education–The Case of an University-Industry Alliance in Asia
Increasing Customer Loyalty
Individual Characteristics and IT Project Escalation
Inflation Breakeven Rate
Institutional Paradigm and Learning in Higher Education in a Model With Labor-Leisure Choice
Instructional Technology Applications in Finance Classrooms
Integrating Gardner and Larson’s (1987) Classroom-as-Organization Pedagogy at Multiple Levels
Integrating The Wall Street Journal into a Business School Curriculum: A Success Story at Samford University
Integration of Knowledge and Application with Capstone Assignment
Intelligence Decision Support Systems Portal (IDSSP): A Proposed Model
International Production and Operations Management: An Emerging Business Curriculum Option
Internet Communication Tools
Investigating Learning Styles and Business Writing Performance: Group Dynamics Take Control Once Again
Is It True that Ignorance Is Our Business?
Is the Kinder, Gentler IRS a Promise of the Past?
Is the Uniform Certified Public Accounting Exam Uniform?
Knowledge Management Terms and Common Business Language
Leaders and Followers: The Role of Achievement Motives and Their Effects on Motivating Strategies for Enhancing Performance
Leaders and Luddites: Which Students Adopt New Technology Early and Which Resist?
Leadership, Change and People Management, and Continuous Quality Improvement: A Practical Approach to a Paradigm Shift in Healthcare
Learning Information Technology Ethics – It’s Debatable
Linking Project-Based Interdisciplinary Learning and Recommended Professional Competencies with Business Management, Digital Media, Distance Learning, Engineering Technology, and English
Locke, Business Ethics Textbooks, and Virtue
Make Room For Daddy……..And Mommy:
Helicopter Parents Are Here!
Managerial Promotions and Human Resources: Preliminary Observations and Findings
Marketing Capstone as Dress Rehearsal: An Experiment in Non-Traditional Classroom Education
Master of Accounting Programs: Is there adequate Internationalization of these programs?
Momentum Change, Sector Rotation and Returns from Fidelity Sector Funds
More Trouble Than it is Worth? Detecting and Prosecuting Plagiarism in Business Plans
Motivating Students through Student Centered Learning Techniques in the Classroom
National Agency for Food & Drug Administration and Control (NAFDAC – A CASE STUDY)
Necessary Trifecta: Creativity, Innovation, and Entrepreneurship: A Literature Review
Never Underestimate the Power of Cash: Extrinsic Rewards in the Classroom
Nursing/Physician Shortage’s and Impact on Marketing with the Health Industry
On-line BA Degree in Economics in a Business School–Some Preliminary Observations
Online Education as a Disruptive Technology: A Theoretical Perspective

Online Features of the Top 100 U.S. Retailers’ Websites

Open Source vs. Proprietary Software for Regional Public Universities: A Study of Knowledge Transfer

Our New Latin American Workforce: A Longitudinal Analysis on Pre-Destination and Post-Arrival Characteristics

Policy, Responsibility, and the Crisis of Trust: Implementing CSR Policies and Procedures in Latvia

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Potential Solutions to Broadband Internet Deployment

Professional Quality Video Production Capabilities Enter the Mainstream: A Case Study of a Business School Informational and Promotional Video Production Project

Putting your best grade forward!

Qualitative and Quantitative Research: How to Choose the Best Design

Separating Exogenous Country Productivity Differences and Factor-Specificity Effects

Service-Learning Project to Enhance Decision Support System Learning

Sexual Orientation: A Reality Check for Employers

Shopping for gold! A Ritual Experience

Smarter Escalation of Technical Support Calls

Strategic Management and Systems Thinking

Strategic Management of the School Brand

Strategies for Recruiting, Developing and Gaining the Commitment of Outstanding Professionally Qualified (PQ) Adjunct Faculty

Strengthening the Supply Chain between Business and Academe through Course Design Feature Selection

Student Perceptions of the Service Learning Experience: Good Works or Hard Times?

Teaching a Hybrid MBA Course: A Case Study in Information Technology

Teaching a Hybrid of Online and Face-to-face Courses

Teaching Accounting 101 to Web 2.0 Students

Teaching Business Ethics as Virtue

Teaching Ethics

Testing Prerequisites and Student Success in Principles of Finance

The AACSB Faculty Qualifications Standard: A Regional University’s Metrics for Assessing AQ and PQ

The Centrality Efficiency Index: A New Social Network Analysis Measure

The Company without Real Owners

The Course of Strategy and Leadership Development in a Business Strategy Simulation

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The Effects of Individual, Institutional, and Market Factors on Business School Faculty Beliefs About Grades

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The Influence of the Islamic Profit and Loss Sharing Scheme on Return from Investment and Deposit Accounts: An Empirical Study

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The Police, the MBA Program, Communities of Practice, and Fraud: A Case Study in the Utilization of Communities of Practice in Developing an MBA Concentration in Fraud Examination

The Social Exchange of Sales: Assessing Antecedents of Technical Work Compliance and Customer Service Performance

The Use of Permanent Student Teams in a Lock-step Cohort Graduate Program

Two Approaches to Integrating Ethics into the Business Curriculum

Two Determinants of Students’ Demand for IS Audit at US Universities

Use of Hierarchical Value Mapping in Health Services Research

Using Concept Maps for Learning Assessment

Using the List of Values to Differentiate between Amateur Sport Tournament Participants and Spectators

Utilization of The Myers-Briggs Type Indicator® In The Work Place


Violence in the Workplace: A Continuing Issue

Walking the Tightrope: The Impact of Teaching and Service on Scholarly Productivity for Accountants

When Newly Public Firms Make Partial Acquisitions

Which is More Prevalent – Worldwide Income Approach or Territorial Income Approach for Federal Income Tax?

Which Marketing ‘P’ Attracts Transnational Buyers? A Comparative Look at the Dubai and Turkish Cyprus Real Estate Markets

Work-Family Conflict & Technology Issues on Sales Careers: Differences by Travel Requirements
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<table>
<thead>
<tr>
<th>Name</th>
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## Academic Business World

### Board of Reviewers

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Achieving an Integration of Business Courses in a Service Learning Project

Emily M. Crawford and Zelma Crump

Abstract

The education industry is currently experiencing greater cultural and educational diversity which requires significant changes in the way business schools conduct business. The traditional method of instruction focuses on individual courses as if they are not interconnected. This exploratory study is designed to show the relative usefulness of partial teaming of instructors in teaching preparation and delivery to achieve an integration of business courses in a service learning project. More specifically, an attempt is made to explicitly show the interrelationship between two courses and its impact on service learning. The overall results suggest that team teaching has potential for integrating business courses and service learning. Moreover, the approach utilized in this study provides students the opportunity of observing decision-making and creating business plans in a real business enterprise.

Team Teaching and Service Learning are not usually used in the same context. However, these two concepts can be used to expose students to real life projects. With learning outcomes and rubrics designed in advance, service learning and team teaching can allow students the ability to participate with real life experiences. According to Webster dictionary (2004) team teaching is “a system involving the assignment of a group of staff to be responsible for course teaching so that individual staff receive peer support and particular strengths can be exploited. This exploratory study is designed to show the relative useful of partial teaming of instructors in teaching preparation and delivery to achieve integration of business courses in a service learning project.

According to Fiske (2001) service-learning combines service objectives with learning objectives with the intent that the activity changes both the recipient and the provider of the service. This is accomplished by combining service tasks with structured opportunities that link the task to self-reflection, self-discovery, and the acquisition and comprehension of values, skills, and knowledge content.
For example, if high school students collect trash out of an urban streambed, they are providing a service to the community as volunteers; a service that is highly valued and important. When school students collect trash from an urban streambed, then analyze what they found and possible sources so they can share the results with residents of the neighborhood along with suggestions for reducing pollution, they are engaging in service-learning. In the service-learning example, the students are providing an important service to the community and, at the same time, learning about water quality and laboratory analysis, developing an understanding of pollution issues, learning to interpret science issues to the public, and practicing communications skills by speaking to residents. They may also reflect on their personal and career interests in science, the environment, public policy or other related areas. Thus, we see that service-learning combines service with learning in intentional ways.

According to the National Commission on Service Learning (2002) service-learning:
- Links to academic content and standards
- Involves young people in helping to determine and meet real, defined community needs
- Is reciprocal in nature, benefiting both the community and the service providers by combining a service experience with a learning experience
- Can be used in any subject area so long as it is appropriate to learning goal

Coker and Griffith (1994) criticized the traditional method of instruction in the United States. According to them, the traditional classroom system is too outdated in a changing environment. They observe that "significant changes are needed to meet the needs of a greater cultural and educational diversity." In this new environment, there ought to be an implementation of collaborative endeavor on the part of instructors. One of the most comprehensive reports on the problems facing education in this country which was entitled, A Nation At Risk, identified a lack of reform and innovation in the field of education as threatening factors. For some time
now, several concerned individuals and groups have tried to focus our leaders' attention on possible efforts at reforming education. Americans are particularly concerned that the standard of education in the U. S. is not competitive with other western countries.

In order to deal with the aforementioned situation, several colleges now emphasize teaching as an important component of faculty responsibility. According to Palmer (1990), "good teaching is an art of generosity, a whim of wanton muse, a craft that may grow with practice, and always risky business." An approach that has been proposed and used in some educational institutions in the U.S. is 'co-teaching.' Cosden (1990), Bauwens and Hourcade (1991), Ruwe and Leve (2001), Gately and Gately (2001) and Foster-Jones (2003) envisage the future of education in this country to reflect a greater cultural and educational diversity of the student body which will require a movement away from the traditional classroom environment. Serious efforts in this direction have been documented in many fields of study except in business programs. For examples, Beckman (1989), Leitzel (1990), Crossman and Behrens (1992), Xu and Zidon (1995), Ruwe and Leve (2001) and Forester Jones (2003) have reported results that suggest that team teaching constitutes a technique that hold merit for the future.¹ According to Xu and Zidon (1995), team teaching has succeeded in language courses [McKeen and Bleske (1992)], in computer technology and medicine [Brody (1989)], in psychology [Morlock (1988)] and in special education [Yau (1988)]. To date, no attempt has been made to team teach business courses as it relates to service learning.

Friend and Cook (1992), refer to co-teaching as a method that "creates a dynamic, high-energy classroom situation that promotes increased learning for students and teachers." According to them, with co-teaching, two teachers plan lessons and deliver instruction together and share the responsibility of assessing students' mastery. They conclude that by working together, teachers look at a student from all different angles and really concentrate on meeting the student's needs in the least restrictive environment. According to Gately and Gately (2001) assessment in the cotaught classroom involves developing
systems for evaluating individual students, adjusting standards and expectations for performance to meet individual needs, while maintaining course integrity.

In most business schools, students are generally exposed to courses in many business functional areas such as production and operations management, marketing, finance, accounting etc. Thus, it is difficult for students to see the interrelationship among the several courses. Many business schools offer a business policy and internship courses to students who have taken all the functional courses. Recently, the Association for Collegiate Business Schools and Programs (ACBSP) started to require candidates for accreditation to provide an integrating experience that will enable business students to demonstrate the capacity to synthesize and apply knowledge from an organizational perspective.

The objective of this exploratory study is to show the relative usefulness of partial teaming of instructors in teaching preparation and delivery to achieve an integration of business courses at Savannah State College, Savannah, Georgia. More specifically, the authors experimented an integration of Governmental Accounting and Buying Behavior. Prior to this experimentation, business students at Savannah State College are exposed to integrating experience through Business Policy and Internship courses. Our expectation is that team teaching could broaden the horizon of our graduates in a service learning project especially those who do not have the opportunity of being placed through internship.

**Research Design**

In Spring 2004 and Spring 2005, the authors of this paper were teaching Governmental Accounting and Buying Behavior. The Governmental Accounting course is required for accounting majors. The Buying Behavior class is taught primarily to students who major in Marketing. The authors were searching for a medium of instruction that would achieve Chickering and Gamson's (1987) objectives of good practice in undergraduate education. These objectives are: encouraging contacts between students and faculty, developing reciprocity and cooperation among students, using active learning techniques, giving prompt feedback,
communicating high expectations, emphasizing time on task, and respecting diverse talents and ways of learning.

In order to achieve the aforementioned objectives, students in both classes met together about four weeks into the Spring semester and were divided into 8 groups. The instructors met together several times with the service learning agency’s director to prepare a set of learning outcomes and rubric which was given to each student in both classes at a joint meeting. The clients consisted of low to moderate income individuals with the desire to open their own business. These clients had little or no business experience and had to develop a business plan in order to qualify to receive funding for their business. Each group was assigned a client from the Savannah Entrepreneurial Center in Savannah, Georgia (service learning agency). Each client was contacted by the instructors and agency and informed of the scope of the project. In addition, the clients were required to cooperate with the students by making available their business plan and the necessary financial and marketing information pertaining to their business.

Prior to this stage, the instructors covered some basic concepts such as pricing strategies, financial statement analysis, planning and budgeting, inventory management and buying, marketing segmentation and consumer retention. The objective was to cover all the relevant tools that would be needed by the students to complete the project. About two weeks into the project the two classes met together again. At this time, the instructors attended to problems that each group was facing. At the conclusion of these initial joint meetings, each group was given eight weeks to help their client complete their business plan. Also, the business plan was expected to be both quantitative and qualitative. More specifically, students were expected to apply financial ratios to determine business performance relative to other business in the area. The qualitative part of the report would focus more on pricing, advertising, location, competition and the general management of the respective entrepreneurs.

When the final business plan were concluded, each group was allowed about 45 minutes to present its report to a joint class meeting in which clients, the director and administrative staff of the agency were
invited. Students were required to utilize Power Point which was available at the agency and in all of the classrooms at Savannah State University’s College of Business. Subsequent to each presentation, the two instructors and director would get together to fill out rubrics that were assigned to each business plan. At the last joint meeting of the two classes, each instructor addressed the students to justify the grade that was assigned by him or her.4

To determine the effectiveness of this experiment, the instructors conducted a survey of all the students in the two classes toward the end of the semester. Some of the clients came forward to talk about the experiment with the instructors. The clients were also surveyed at the end of each business plan presentation.

Findings

The findings reported here are based on the survey of students and entrepreneurs (clients) that participated in the experiment. All the students that participated in this experiment had never experienced team teaching or service learning before. The findings indicated that the teaching strategies (team teaching and service learning) were new to them. Students were asked questions on a scale of 1 (very dissatisfied) to 7 (very satisfied) pertaining to their experiences with team teaching and service learning. Below are some of the responses to those questions.

Table I

<table>
<thead>
<tr>
<th>Questions</th>
<th>7</th>
<th>6</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
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</thead>
<tbody>
<tr>
<td>I was able to apply the concepts I learned in class to the service learning experience</td>
<td>92%</td>
<td>4%</td>
<td>4%</td>
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<tr>
<td>The service learning experience helped me better understand some of the concepts presented in the course</td>
<td>92%</td>
<td>4%</td>
<td>4%</td>
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<td>By having two teachers in the class I was able to understand the subject matter better</td>
<td>85%</td>
<td>10%</td>
<td>5%</td>
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<td>Service learning strengthened the learning experience</td>
<td>95%</td>
<td>2%</td>
<td>3%</td>
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Students were asked, “What did you learn as a result of your service learning experiences in the course? Check the response below that best reflects what you learned as a result of this course, team teaching and service learning. The students were able to select from eight responses. The majority responses were: a new perspective with connections made between the classroom and the real world; easier to understand class material; benefit from team teaching; opportunity to practice what is learned in class. Minority responses included puts theory into practice; hands-on learning is important to learning new concepts, enhances and expands the importance of class lectures; other: explain.

When students were asked to list what they admired about the experiment, the following were some of the comments: "Team teaching promotes contacts between the students and instructors because the instructors were available at all times to answer questions. The study environment was very flexible and conducive to learning." As a result of the experiment, many students who worked in the same groups formed study groups for their other courses. One student commented: "I thought that each course that is taught in the School of Business is independent of each other. Dr. Crawford and Ms. Crump helped me understand the interdependence between Marketing and Accounting." This sentiment was also shared by several of the students in both classes.

The students were quite appreciative of the fact that the presence of two instructors in a class helped them understand that there could be alternative way of responding to the same question. The way the instructors worked together in the classroom was also highlighted positively by the students. When asked to suggest alternative ways of delivering instruction, 95 percent of the students called for a mandatory use of the team teaching.
approach in other courses. Some of the students indicated that they felt more comfortable in job hunting as a result of their interaction with the business owners. They found themselves at an advantage over other students by working with clients from the real world in putting together a business plan. Ten clients attended the student presentations. All of them were positively enthusiastic of and receptive of the students' recommendations on their business plan. When they were asked to evaluate the overall usefulness of the approach, all of them indicated that it represents a new outlook from a younger generation of college students for them to receive feedback and creative ideas on their business plan. More importantly, the approach represents a basis for cooperation between service learning and business theory. It also allows the students to learn from the interaction between the two instructors. All the participating entrepreneurs recommended that this relationship continues. Each of the remaining business owners who were unable to attend the students' presentations was given a copy of their business plan. When they were contacted later through telephone, their response was consistent with the results reported above.

In quest for an effective method of instruction in today's changing educational environment, the authors conducted an exploratory experiment of integrating two business courses through team teaching. The overall results suggest that team teaching has potential in integrating business courses in a service learning environment. More specifically, students are able to appreciate the inter-dependencies in the business courses. Moreover, the approach utilized in this study provides students the opportunity of observing decision-making and creating business plans for real business enterprise.

From the point of view of entrepreneurs, the approach was beneficial as an impetus to a relationship between business schools and entrepreneurs. It is valuable source of consultancy for the business owners too. Finally, the experience for the students is overwhelmingly positive especially for concepts' comprehension, job hunting and business ownership after graduation. Based on the foregoing, team teaching offers an alternative technique for integrating business course in service learning.
1 Beckman's study focuses on curriculum repairs that offer interdisciplinary courses to students because they help students see how knowledge and tools within each discipline can be brought together to solve problems of mankind. The second issue in her paper is the way interdisciplinary courses are taught.

2 In Spring of 2004, there were 25 students in the Governmental Accounting class and 16 in the Buying Behavior. In Spring 2005, there were 25 in Governmental Accounting and 18 Buying Behavior. Thus, 84 students participated in this experiment.

3 Each group was made up of about 3 students from the Governmental Accounting class and 2 from Buying Behavior.

4 The last joint meeting of the two classes was scheduled after all the groups had presented their reports.


Ruwé, Donelle; Leve, James. Interdisciplinary Course Design. Clearing House v74 n3 p117-18 Jan-Feb 2001


Does *Homo Economicus* Cheat Like a Weasel? A Review of Evidence on Cheating by Economics Majors

Patrick A. Taylor  
Else School of Management  
P.O. Box 150564  
Millsaps College  
Jackson, MS 39210  
(601) 974-1274  
taylopa@millsaps.edu

**Abstract**

There is substantial literature reporting the results of research into many aspects of college students’ cheating behavior. Some of that literature looks specifically at how a student’s choice of academic major is related to his or her cheating behavior. A review of some of that literature provides no theory and little direct empirical evidence to support the conclusion that students majoring in economics cheat at a rate different from other students. Also the literature to date does not consider factors which may outweigh those frequently addressed in the literature. Including those variables may add considerably to our understanding of cheating in college.

January 16, 2006
Does *Homo Economicus* Cheat Like a Weasel? A Review of Evidence on Cheating by Economics Majors

I. Introduction

Most college students cheat, at least they say they do. Bowers (1964) found about three-fourths of college students in his very large sample self reported having cheated in one way or another at least once. Thirty years later, McCabe and Bowers (1994) found students were still reporting themselves to be cheating at about that same rate. McCabe, TreviZo, and Butterfield (2001) continued to find much that same rate of cheating, though the preferred modes of cheating may have changed some since Bowers’ 1964 study.

The present concern is with students who choose the economics major and whether the probability they will cheat is different from that of other students. If economics majors are more prone to cheat, that implies either studying economics actually teaches students to cheat or antecedent conditions that predispose students to choose economics also predispose them to cheat more.

The conventional wisdom regarding cheating by economics and business students seems to be that they are going to learn (or had already learned) to be strict maximizes of a utility function whose major component is monetary return. Furthermore, the story seems to be, in so doing they are largely unconstrained by moral or ethical considerations. This suggests students of economics and business have their moral compasses reset (or set!) so as to deem morally acceptable a wider range of behaviors than do other people. At least anecdotally, the question is generally phrased in the prejudicial one-tailed form: Do economics majors cheat more than students who choose other majors? However, there is neither theoretical nor solid empirical evidence to support the conclusion that they do cheat more. In the absence of such evidence, there is no reason to believe economics students will be any more (or less) likely to cheat than will other students. Hence, the conventional wisdom may be conventional but not wise.

Concerning cheating by economics majors, much of the work done to date condemns them through guilt by association with those highly suspect academic reprobates, business majors. In those studies considering academic major as one of the possible determinants of cheating, beginning with Bowers (1994), economics majors and business majors are usually tarred with the same brush. Bowers’ choice to combine business and economics major apparently influenced many later researchers to do the same.

For those who teach economics it is important to look at economics majors alone in order to know whether they are more likely to cheat than are other students. Either students who choose economics are already more prone to cheat or we are somehow teaching students to cheat, however unintendedly, once they enter the major. Regardless of which is the case, we who teach economics are doing something wrong. We are either accepting into our major students who are systematically more likely to cheat or we are teaching them to cheat once they become economics majors.
It might be worth investigating the source of the general perception that economics and business majors can be expected to be less honest than average. That investigation will have to wait for another day, however.

Mark Twain once said, “Supposing is good, but finding out is better.” Economists both suppose and find out. Next I briefly deal with the supposing part before turning to what has been found out so far.

II. Economic Theory of Cheating in Brief

*Homo economicus* is expected to be self-interested and rational. At least as a first approximation, economists takes that to mean one engages in behavior for which the additional benefits outweigh the additional cost. Making such choices increases the level of attainment of whatever objective one happens to be pursuing. But knowing this does not go far in helping us understand the specific choices an individual makes. That is so because we are investigating matters about which we have little way of knowing how a given individual assigns values to either benefits or costs. Beyond our saying, Ah ha! Student X cheated so for him or her in that instance the marginal benefits of cheating must have exceeded the marginal costs of doing so, we can not say much else.

Becker (1968) rigorously applied economic theory to the study of criminal behavior. As applied to academic honesty, Becker’s analysis suggests *all* students will cheat more when the benefit - cost ratio increases and will cheat less when that ratio falls. As Kerkvliet (1994) put it so well, cheating is, “ . . . a rational act of the expected-utility maximizing student.” (p. 124). However, there is little in the literature reviewed below to lead one to believe economics majors assign benefits and costs differently than do other students. Hence, there is no reason to expect them to cheat more (or less) than average.

If students of economics are better informed about the nature of opportunity costs and are therefore better able to evaluate costs and benefits of choices then they will cheat more when the incentives favor that choice and cheat less when that is the low opportunity cost option. The optimal level of any activity is seldom zero, after all.

According to Callahan (2004), the cost of cheating is low because cheaters are rarely punished, even if they are caught. He also notes the typical benefit-cost calculation for faculty members provides little incentive for them to take steps to deter, detect, and punish cheating. Furthermore, Callahan suggests administrators may be reluctant to back faculty members who bring cheating charges. He correctly notes the buyers’ market nature of higher education for most undergraduate institutions. Administrators may be inclined to think of faculty members as “hired help” so, when balanced against the “customer is always right” attitude, they find it hard to back faculty attempts to get tough with cheaters.
For the present purpose, that is sufficient supposing. What has been found out about cheating by economics students?

III. The Literature on Cheating by Economics Majors

Bunn, Caudell and Gropper (1992) and Kirkvliet (1994) estimate models which explicitly try to apply the benefit-cost approach to the study of student cheating. Neither study, however, singles out economics majors. In the case of the Kirkvliet study, measures of both the benefits and costs of cheating are mostly of the psychic sort. In fact, it is only by implication that one may be able to attach any monetary value to either study’s measures. For example, Kirkvliet includes a dummy variable measuring whether a student’s parents were college graduates. He finds that students with college educated parents tend to cheat more. Because college graduates ordinarily earn higher incomes than do those without degrees, one may conclude students from wealthy families tend to cheat more, regardless of their major.

Looking at the matter again later, Krikvliet and Sigmund (1999) included in their model several individual characteristics such as; sex, grades, year in college, and level of alcohol consumption. None materially altered the benefit-cost ratio, hence were not shown to influence cheating behavior. Though Kirkvliet and Sigmund did not include academic major among their variables, as noted below, it seems unlikely that including major would significantly affect the benefit-cost ratio, hence would have little, if any, impact on cheating behavior.

Several authors, Callahan (2004); Crown and Spiller (1998); and McCabe, TreviZo, and Butterfield (2001) note an increase in professional rewards, financial and otherwise, that flow to those having a meaningful college degree. Therefore the returns to completing college with attractive grades is higher, meaning the net benefits of cheating will be higher, holding fixed the probability of being caught and sanctioned for cheating. But, as Callahan (2004) notes, cheaters are not likely to be sanctioned if they are detected.

Since McCabe, TreviZo, and Butterfield (2001) summarized the work McCabe and various colleagues and others did over the previous decade, there has not been much investigation of cheating behavior of economics majors. As McCabe, et al (2001) note, most studies find contextual variables have the strongest influence upon students’ attitudes and behavior regarding academic honesty. They find especially important students’ perceptions of the extent to which peers cheat and the existence of an effective honor code system. However, neither McCabe and his colleagues nor others provide strong, direct evidence as to whether economics majors cheat more or less than do others. Furthermore, most of the evidence there is comes primarily from analysis of self reported direct question survey data, which is suspect, as discussed below.

The main theme running through all of the work on cheating McCabe and his several colleagues have done is peer behavior is the most important determinant of the amount of cheating a student is likely to do. That in turn is most strongly influenced by the culture of the institution as it pertains to the deterrence, detection, and punishment of cheating.
The lesson for economics departments is cheating deterrence is best achieved by making sure the department and the entire institution create and inculcate what is (and students perceive to be) a “just community” (McCabe, TreviZo, and Butterfield, 1996, p. 461).

Of the variables usually identified as playing significant roles in determining the probability a student will cheat, academic major is ordinarily thought of as an individual, rather than contextual, variable. While it is perfectly reasonable to think of one’s choice of major as a purely individual trait, the milieu from which one comes is also likely to have some bearing upon that choice. Hence, looking at major choice only as an individual variable may misstate the problem to some degree. As Crown and Spiller (1998) note, it may be more appropriate to think of major choice as a composite variable, some of whose antecedents are contextual and some individual. In effect, this is the old nature versus nurture debate.

Table 1 lists some of the variables most often considered in studies of college student cheating. It also notes some of the authors who have employed particular variables in their work on cheating. As one can see, there is a mix of contextual and individual variables. As discussed further below, not many of these variables pertain to either nature or nurture happening in life before the student reaches college.

Table 1
Variables Affecting Cheating

<table>
<thead>
<tr>
<th>Variable</th>
<th>Studies</th>
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<tr>
<td><strong>Contextual Variables</strong></td>
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<tr>
<td>Effective Honor Code</td>
<td>McCabe, <em>et al.</em></td>
</tr>
<tr>
<td>Institutional/Faculty Diligence</td>
<td>McCabe, <em>et al.</em></td>
</tr>
<tr>
<td>Seen (or think) peers cheat</td>
<td>McCabe, *et al.; Bunn, *et al.; Mixon; Carrell, <em>et al.</em></td>
</tr>
<tr>
<td>Full-time Faculty</td>
<td>Nowell and Laufer; Kirkvliet and Sigmund</td>
</tr>
<tr>
<td>In-class warnings</td>
<td>Kirkvliet and Sigmund</td>
</tr>
<tr>
<td>Size of institution</td>
<td>McCabe, <em>et al.</em></td>
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<td>Probability of detection</td>
<td>McCabe, <em>et al.</em></td>
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<td>Severity of Sanctions</td>
<td>McCabe, <em>et al.</em></td>
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<td>“Just community”</td>
<td>McCabe, <em>et al.</em></td>
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<td>Fraternity/Sorority membership</td>
<td>McCabe, *et al.; Kirkvliet and Sigmund</td>
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<td><strong>Individual Variables</strong></td>
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As McCabe, *et al.* show, previous work in the area strongly supports the primacy of contextual variables, over individual variables, as factors influencing whether and to what extent students cheat. McCabe, TreviZo, and Butterfield (2001) reach that conclusion following their review of several studies from the decade ending in 2000. McCabe, *et al.* (1996, 1997, 1999, 2001) consistently find contextual variables, especially peer cheating and the existence of a credible honor code, are more important influences upon cheating than are individual variables. If contextual variables are the more influential of the two, then a student’s choice of major, an individual variable, is not likely to be decisive in determining whether that student will decide to cheat in college.

McCabe and TreviZo (1993) found the single most important influence upon the probability a student will cheat is the student’s perception of the extent to which her or his peers are cheating. In that particular study, no consideration was given to what sort of an influence the student’s major choice might have, however. In their 1997 study, McCabe and TreviZo continue to find factors surrounding peer behavior to be the most important influence upon the decision to cheat. They go on to say contextual variables as a whole account for more than twice as much of the variation in cheating behavior (21% versus only 9%) than do several individual variables. Of course, that means the remaining 70 percent of variation is explained by neither contextual nor individual variables.

To the extent McCabe and TreviZo’s numbers are accurate, the upper limit of the possible influence of academic major in explaining variation in cheating behavior is only nine percent. Because there are several other individual variables which have been found to play at least some role; gender, age, grades, for example, the share of variation for
which academic major can be responsible must be quite small. That does not mean, however, it is not worth knowing whether students who choose the economics major are systematically more (or less) inclined to cheat. It would also be interesting and valuable to know what factors account for the other seventy percent of variation.

Some people appear to believe that economists think differently than do other people. In fact, Carter and Irons (1991) find economics majors are different from other students in that they appear to be better than others at behaving rationally (in the economic sense of the word). But they also find economists tend to be born, not made. Their work suggests students who choose the discipline come to economics because of predispositions developed before reaching college. However, that does not mean economics majors cheat more and Carter and Irons present no evidence that they do. Furthermore, of the differences between economics and other majors, their model explains very little (between 5 and 17 percent) of total variation in cheating behavior.

Frank, Gilovich, and Regan (1993) found economics majors are more self-interested and less likely to behave cooperatively the more courses in economics they have taken. They also suggest economics majors may be less honest than other students, though they do not systematically investigate that question. Frank (2004) believes economists are less cooperative specifically because they have studied economics rather than being predisposed to behave more self-interestedly. Furthermore, he finds a little evidence that studying microeconomics in certain ways might cause students to be more accepting of dishonesty, at least in others if not in themselves. However, Frank draws no conclusions as to what this might mean for the likelihood that economics majors will cheat.

Baird (1980) found business majors tend to cheat more. He did not separate economics and business majors. But he also found males tend to cheat more than females. Though he did not report the gender mix among the business majors in his sample, during the time when his study was done, business majors were predominately males. If that was true of his sample, then males were over-represented in his sample, hence we can not be sure his finding is due to the fact that economics majors cheat more than others or that males cheat more than females.

There is evidence (Baird, 1980; Moffatt, 1990; and Roberts, Anderson, and Yanish, 1997) that students majoring in business, which may or may not include economics majors, tend to cheat more than do other students. Baird’s evidence is weak, however. Of the twenty three questions on his survey, the effect of major (business only) was statistically insignificant for nineteen of the questions.

Since Bowers’ 1964 study, only Kirkvliet (1994), Nowell and Laufer (1997), and Carrell, Malmstron and West (2005) have done quantitative analyses of factors influencing students to cheat. Kirkvliet’s study looked at students in principles of economics classes but not specifically at economics majors. His study included only individual variables, excluding academic major. Of those he looked at, a student’s alcohol consumption was most likely to be linked to cheating behavior.
To corroborate what McCabe and his colleagues have had to say about cheating, Carrell, et al. (2005) examined the relationship between peer cheating and the probability a student will cheat. Various versions of their models, estimated using both logit and two-stage least squares techniques, did not include academic major and explained only from 7.5 to 11 percent of the total variation in cheating behavior.

Compared to studies whose conclusions are based upon direct question survey results, Nowell and Laufer’s (1997) work has an advantage in that it reports results of a combination of observed experimental data and students’ responses to a random response type questionnaire. Nowell and Laufer make the case that random response type instruments may produce more honest responses than do direct question instruments. Concerning self-reported survey data and observed behavior data, while each has its advantages (Kerkvliet, 1994) and disadvantages (Umeseh and Peterson 1991), using the two methods together strengthens the conclusions one might be able to draw from Nowell and Laufer.

They found economics majors are no more likely to cheat than are students pursuing other majors. The logit model Nowell and Laufer estimate found being an economics major increases the odds of cheating between only about 2 and 4 percent. That finding, however, is not nearly statistically significant, in addition to being absolutely small. The only other individual major for which Nowell and Laufer test is computer information systems. They found students choosing the CIS major had a 28 percent higher probability of cheating. Hence, they can not confirm the findings of Bowers and those whose findings tend to support his conclusion that business and economics majors are more likely than average to cheat.

As for the random response portion of their study, Nowell and Laufer found instances of cheating during the experiment twice as numerous as their survey responses suggested. This raises serious questions about the validity of any study based upon survey data, be it a direct question or random response type survey. More is said about survey issues below.

Moffatt (1990) found 87 percent of economics majors self reported having cheated at least once, which was the largest percentage of four groups of majors at which he looked. The other three grouped together several majors: communications, political science, and psychology combined; English and history combined; and several disciplines in the physical sciences combined. According to his study, students in those three groups cheated at the rates of 80 percent, 65 percent, and 60 percent, respectively. It is not clear why Moffatt looked at economics majors by themselves and combined several other majors in his other three groups. His having done so makes it difficult to know what to make of his survey results. Furthermore, it is not possible to say whether the 87 percent of economics major respondents who reported having cheated is statistically different from the responses of his other groups of majors or the roughly 75 percent Bowers (1994) and McCabe and Bowers (1994) found.
IV. Some Questions

As noted above, much of the literature categorizes variables thought to influence cheating behavior as either individual or contextual variables. This raises the question as to the extent to which economics majors may be affected by both contextual and individual variables. It also raises the question whether the effects of individual and contextual variables are structurally different for economics majors from their effects upon the general population of college students.

It also begs the question as to whether there may be circularity between individual and contextual variables. For instance, college students self select into major fields of study. Are there common antecedent influences predisposing students to choose economics which also predispose them to cheat more than their peers? And are there contextual influences that either increase or decrease the rate of cheating by economics majors (McCabe, TreviZo and Butterfield, 2001)? If so, does this mean those directing economics major programs should try to identify informal leaders among their group of majors and try to influence them to model academic honesty?

The entire matter of the circumstances under which a student grew up is essentially absent from the literature on cheating. In fact, there is perhaps an entire array of variables composing the circumstances of ones upbringing that may be important in shaping cheating behavior. These influences may help form moral and ethical predilections which in turn shape the ways in which one finally solves moral and ethical dilemmas, such as whether to cheat. To date, there have been no attempts to incorporate such information in models of student cheating behavior.

McCabe and TreviZo (1997) discuss some sources of influences upon cheating that do not fit conveniently into the individual-contextual dichotomy. Using a concept from psychology, they mention variables of either sort may affect students differently depending upon the individual’s locus of control. One who believes life outcomes are under his or her own control has an internal locus of control. One who believes outcomes are largely controlled by circumstances beyond their control has an external locus of control. McCabe and TreviZo find little evidence to support the notion that cheating behavior is related to locus of control. However, McCabe, TreviZo, and Butterfield (1999) also mention in passing the potential role of ones upbringing as an influence upon her or his likelihood to cheat.

V. Problems with Survey Data

The empirical work reviewed here, indeed nearly all of the empirical work on the subject, is based upon self reported data, usually in the form of direct question survey responses. While surveys certainly have their place in social science research, as Kirkvliet (1994); Kirkvliet and Sigmund (1999), and Sudman and Bradburn (1974) point out, there are reasons to use caution when searching survey data for meaning. Other than perhaps
Frank, et al, (2004), no one argues that students of economics are systematically more (or less) inclined to respond truthfully to surveys asking about their own cheating behavior. Furthermore, neither is there theory giving reason to believe economics majors’ survey responses will be less (or more) honest than will be others’ responses. Using a random response type instrument, as did Nowell and Laufer (1993), may help in this regard, however.

Until such time as better experimental results are available or we invent survey instruments that are better at eliciting truthful responses, we are going to have to be very careful interpreting the results of studies of cheating using self reported data.

VI. The Case for Missing Variables

Based upon the results of research reviewed here, particularly the work of McCabe and his colleagues, it seems fair to say contextual variables are likely to be the largest influence upon the cheat/don’t cheat decision. McCabe, TreviZo and Butterfield (1996) find students are less likely to cheat if they perceive their campuses to be “ethical communities” (p. 461). This raises the question whether students who have been raised in an “ethical community” are less likely to cheat. The literature so far does not address that question. As noted below, designing questions and a survey format to get at that question may not be easy, however.

According to Frank, Gilovich, and Regan (1993) students of economics are more self interested and tend to cooperate with others less than students pursuing other academic majors. If true, that may mean economics majors are less influenced by what their peers are doing than is the typical student. As related to the dichotomy between individual and contextual variables, this would mean economics majors are perhaps more driven by the effects of individual variables. That argues for including in the examination more extensive measurement of individual variables, such as family background and other early life influences.

Here are some questions about the influences upon cheating behavior the literature has yet to address very well, or at all. While this set of questions is merely suggestive, it may include the more important heretofore unmeasured influences. How would parents react to their student being charged with cheating? Did parents ever discuss cheating as unacceptable behavior? Did parents (or teachers) cheat in college? At what age did the student first notice peers cheating? Does the student have plans for graduate study? How risk averse is the student? What is the student’s expected income in his or her first job? How large is the earnings gap between college graduates and non-graduates? Does the student find the institution to be a “just community”? How frequently does the student’s family attend religious services?

Several of these questions have been at least implied by others, but none of them have been specifically included in empirical work to date. Some of these influences could be easily measured. For example, it would be relatively easy to find data as to the size of the income gap between college graduates and those without degrees. Other variables,
however, would only be measurable through self-reported survey responses, the voracity of which is suspect, as noted above. It would be informative to see which, if any, of these would improve the power of statistical models to predict cheating behavior.

VI. Conclusions

Considering the body of work so far, it appears applying the economic model to student behavior does not lead to the conclusion that economics majors are more likely than average to cheat. There is neither theory nor convincing empirical evidence sufficient to support the argument *homo economicus* is more inclined to cheat than are her or his peers. Additionally empirical studies are able to explain a relatively small part of total variation in measured cheating differences, regardless of whether academic major is included as an explanatory variable. Of those studies for which it is possible to determine the size of explained variation, shares range from about 7.5 percent (Carrell, *et al*, 2005) to a high of about 30 percent (McCabe and TreviZo, 1997). Therefore, statistical work to date leaves unexplained a rather large share of total variation in the data. Furthermore, there are methodological issues in using self-reported survey data.

To address some of the shortcoming of the present state of the literature on cheating further work will have to be done. In addition there are important influences upon students’ decision to cheat that are not investigated in the existing literature. In particular, we have yet to systematically include data from the pre-college stage of students’ development, including the influences of their upbringing and family background. Controlling for other influences, if economics majors cheat differently than does the average student, we need to know why, if we are to find ways to improve the situation.

Scholars have made good progress in their investigations of the antecedents of cheating behavior so the state of the art is not deplorable. However, heretofore unexplored territory exists and covering that ground holds the promise of advancing the state of the art. We may find, to paraphrase Pogo, we have met *homo economics* and he is all of us!
References


Leaders and Followers: The Role of Achievement Motives and Their Effects on Motivating Strategies for Enhancing Performance

Authors:
Patricia Ann Castelli, Ph.D.
Lawrence Technological University, USA

Frank Castronova, Ph.D.
Lawrence Technological University, USA

Jacqueline Stavros, EDM
Lawrence Technological University, USA

Jane Galloway Seiling, Ph.D.
Taos Institute, USA

Abstract:
Recognizing achievement motive disposition is important for leaders in understanding what motivates their followers. Incorporating motivating strategies into this process with the goal of enhancing performance, however, has not been sufficiently addressed in the literature. This study provided an analysis of low and high self-attributed need for achievement and their effects on the motivation needs of followers. The findings provide recommendations on how leaders can increase followers’ interest and effort to enhance performance.

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Lead Contact:
Patricia Castelli, Ph.D.
Associate Professor
Outcomes Assessment Coordinator
College of Management
Lawrence Technological University
21000 West Ten Mile Road
Southfield, MI 48075-1058
248.204.3066
castelli@ltu.edu
LEADERS AND FOLLOWERS: THE ROLE OF ACHIEVEMENT MOTIVES AND THEIR EFFECTS ON MOTIVATING STRATEGIES FOR ENHANCING PERFORMANCE

Abstract:

Recognizing achievement motive disposition is important for leaders in understanding what motivates their followers. Incorporating motivating strategies into this process with the goal of enhancing performance, however, has not been sufficiently addressed in the literature. This study provided an analysis of low and high self-attributed need for achievement and their effects on the motivation needs of followers. The findings provide recommendations on how leaders can increase followers’ interest and effort to enhance performance.
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Stimulated by the Hawthorne studies (Roethlisberger & Dickson, 1939), work motivation has been a focus of researchers since the 1930s. Researchers have taken various approaches from looking at congruence between individual’s needs and organizational demands (Argyris, 1957); sources of work satisfaction (work design and psychological processes); Herzberg, Mausner & Snyderman (1959); Vroom (1964) and his valence-instrumentality-expectancy model; McClelland & Winter’s (1969) personality-based approach to motivation; Maslow (1970) and his hierarchy of needs (motives)—which is the easiest to remember; and others. Yet with all this research, Levinson (2006) suggests there is still a “crisis in motivation.” He asked executives what the dominant philosophy of motivation is for American management. Their response was the typical carrot-and-stick philosophy, reward and punishment—and, they added, it is not working anymore.

Motivational systems are at the center of behavioral organization (Emmons 1999; Steers, Mowday & Shapiro, 2004; Schein, 1980; and Knopf, 1967). Emmons states, “Behavior is a discrepancy-reduction process, whereby individuals act to minimize the discrepancy between their present condition and a desired standard or goal” (1999, p. 28). If we look at this from the standpoint of how leaders can motivate their followers to enhance their performance, participation in any organization involves exercising choice; a person chooses among alternatives, responding to the motivation to perform or ignore what is offered. This suggests that a follower’s consideration of personal interests and the desire to expand knowledge and skill has significant motivational impact, requiring the leader to consider motivating strategies to enhance performance.
As noted above, there are many “competing” theories of motivation which are offered as explaining the behavior of people in organizations (Schein, 1980). The diversity of these theories brought Locke and Latham (2004) to recommend that the theory of motivation must be studied from new perspectives. Because the topic of employee motivation plays a central role in the field of management (Steers et al., 2004), attention must be paid to the prospect of motivation as it moves into the 21st century. The question must be asked, according to Steers et al, “how can we extend or modify current models of work motivation so they continue to be relevant in the future?” (p. 379).

In response to this question, this writing will discuss achievement motive disposition as important for leaders in gaining an understanding of what motivates their followers. First, we will review how motivation has been defined and used in organizational settings. Next, we discuss the differences between low and high self-attributed needs for achievement and measurements. Third, we focus on both self-attributed and implicit motives to help leaders understand how they can best motivate their employees and bring it into action to align with organizational values, vision, mission, goals and objectives. Fourth, we present motivating strategies from the literature and a new application of the ARCS model as it pertains to an individual’s low or high self-attributed need for achievement. Fifth, we present recommendations for leaders aimed at increasing followers’ interest and effort, to enhance their performance.

**WHAT IS MOTIVATION?**

Steers et al. noted various definitions by writers who have attempted to define the term *motivation*, a term that is derived from the Latin word for movement (movere). They note that Atkinson offers the definition as “the contemporary (immediate) influence on direction, vigor,
and persistence of action” (1964, p. 2) and Vroom offers “a process governing choice made by persons...among alternative forms of voluntary activity: (1964, p.6). According to Maddock and Fulton, “Motivation, surprisingly enough, has not been defined in a scientifically acceptable, reasonable and legitimate manner. It has not even been defined in a practical, commonsense or useful manner.” According to these authors, “leadership is defined in one word: motivation.” They suggest that motivation has not been adequately defined because it is too near to emotion “and no one wants to flirt with emotion” (1998, p. xii). Their suggestion that motivation is the “silent side of leadership” is pertinent to the tendency of researchers to describe motivation, but not to explain it. To prepare future leaders to motivate people they must understand how one is motivated.

In the 1920s psychologists Thorndike, Woodworth, and Huss moved theorists toward the concept of learning in motivated behavior suggesting that past actions that lead to positive outcomes would tend to be repeated. Taylor, an industrial engineer, and his associates focused on the inefficiencies of factory production proposing a paternalistic approach to management. Social influences on behavior began to emerge in the 1930s. Group dynamics then emerged (e.g., Mayo, 1933; Roethlisberger and Dickson, 1939; Bendix, 1956) as significant to the motivation of the individual in the group. Etzioni (1961) offer three types of involvement of organization members which impact motivation: (1) alienative (not being psychologically involved and forced to be a member of the group); (2) calculative (involvement to the extent of going a “fair days work for a fair day’s pay;”) and (3) moral (the person intrinsically values the organization’s mission and his or her job and is personally involved (committed) and identified with the organization) (Schein, 1980).
Moving back to the individual, Rokeach calls attention to determinants that enable or block motivation stating, “There is… the basic emotional and motivational attitude of the thinker to be reckoned with,” (1960, p. 177) suggesting the need for leaders to be aware of level of openness of the person to motivational activities. Leavitt (1972) firmly states that relevance to one’s needs is the most important determinant of one’s personal view of the world. It appears that factors regarding achievement motive are significant to motivational responses and tendencies.

ACHIEVEMENT MOTIVE: LOW OR HIGH?

In 1949, David McClelland & others reported that achievement motive could be induced. This finding is critical since it suggests that leaders have the ability to influence their followers behaviors by providing effective motivating techniques. McClelland found that two distinct motivational systems influence learning behaviors in different ways and that individuals require different incentives to exert effort and to perform based on their motive type. These motivational systems are referred to as low or high self-attributed need for achievement.

Self-attributed needs for achievement are defined by Koestner et al. (1991) as self-reported attitudinal motives. The very first study of self-attributed need achievement (then called valuing achievement) was conducted by de Charms, Morrison, Reitman, and McClelland in 1955. In this study, subjects were asked to report their views on various paintings—with and without expert opinion. The findings indicated that subjects high in self-attributed need for achievement were more likely to change their views of the quality of paintings to be more in line with expert opinion than subjects low in self-attributed need for achievement. This study was significant in that it demonstrated a relationship between external salient social demands and high self-attributed needs for achievement.
Since this time, numerous studies have been conducted under various achievement-related testing situations with similar results. Under normal testing conditions, individuals with high self-attributed need for achievement did not perform better on a laboratory task than low need achievers. However, when an external demand for achievement was added, high need achievers did perform better than low need achievers (see Atkinson & Litwin, 1960; Koestner, Weinberger & McClelland, 1991; Patten & White, 1977; McClelland 1985a; Meyer, 1973; Rayor & Entin, 1982).

Low self-attributed need for achievement is a motive disposition in which the individual does not attribute achievement to self and incentives are generally task-intrinsic. Becker (1960) states that task-intrinsic individuals define success by their own internal standard of excellence and that, furthermore, satisfaction is derived from doing the job well rather than from the enjoyment of the end product. Their motives are said to be implicit and primarily aroused by factors intrinsic to the process of performing an activity. Thomas (2002) states that rewards come from task purposes, namely meaningfulness and progress. The implication: leaders in organizations would motivate individuals by assigning challenging tasks that stretch their knowledge and skills.

By contrast, according to McClelland, social-extrinsic individuals seem to have the goal of attaining approval from others rather than satisfying internal standards. Their motives tend to be highly self-attributed and are aroused by social factors that are extrinsic to the process of performing an activity. The inference here in the workplace is for leaders to provide external stimuli by way of social incentives related to success. Encouragement, ongoing feedback, and praise often motivate these types of individuals. These incentives and motive types are often not considered by leaders for improving followers’ performance.
Currently, there is little research available which addresses the relationship between achievement orientation and specific motivating strategies to enhance performance. Even so, there is a logical implication that effort and performance can be enhanced when these aspects are taken into account. By understanding the differences in motivational systems, leaders may be able to provide incentives and apply various motivating strategies while satisfying both achievement orientations. This would seem a sensible approach when examining performance in real world settings.

**ACHIEVEMENT NEEDS AND MEASUREMENT**

Since the 50’s, numerous studies examined the relationship between implicit and self-report measures of achievement motive. Researchers concluded that not only were self-report and implicit measures of achievement motive uncorrelated, but they possessed very different behavioral relationships (deCharms, Morrison, Reitman, & McClelland, 1955; Heckhausen, 1980; Kreitler & Kreitler, 1976; Korman, 1974; Lowell, 1952). They found that implicit needs are primarily aroused by factors *intrinsic* to the process of performing an activity. Self-attributed needs are aroused by social factors that are *extrinsic* to the process of performing an activity. These two different, independent systems of motivation differ in the way they energize, select, and direct behavior. Table 1 contrasts the two forms of motive based on research from the literature.

---Insert Table 1 here---

Koestner, Weinberger & McClelland (1991) designed a research study to examine possible relationships between motives and incentives. They sought to determine the manner in which the two types of motives (implicit and self-attributed) combine with two kinds of
situational factors (task-intrinsic and social-extrinsic) to affect performance. The results support the hypothesis that extrinsic social factors in a performance situation are likely to combine with a person’s self-attributed achievement motive to influence performance, whereas task-intrinsic factors, such as level of challenge, influence performance in conjunction with a person’s implicit need to achieve. Thus, when a memory task was introduced with an explicit emphasis on achievement, subjects high in self-attributed need for achievement performed better than those who were low. On the other hand, in a neutral condition the reverse pattern was obtained. Importantly, it was shown that the implicit need for achievement did not interact with the social incentives regarding achievement to facilitate performance. These findings support earlier claims in research literature (Patten and White, 1977; Biernat, 1989).

Koestner et al. (1991) conclude that these results suggest people scoring high in the self-attributed motives are more likely to selectively remember information relevant to their view of themselves. This implies that individuals who attribute high achievement motivation to themselves are vulnerable to performing quite poorly unless some other motivational factor, either in the form of external incentives or strong implicit motive, is also present. This research suggests that the challenge for leaders is to devise a systematic approach to coaching that considers both high and low achievement characteristic needs. In order to do this, leaders must understand the nature of self-attributed and implicit motives.

**SELF-ATTRIBUTED AND IMPLICIT MOTIVES**

In the past thirty years, researchers have focused more on information processing and the way in which motivational thoughts are converted into action (e.g., Anderson & Glassman, 1996; Heckhausen & Kuhl, 1985; Weiner, 1972, 1986). This cognitive reorientation of motive theory has called into question the use of the term "value" to describe self-reported motives. Value is a
term that has come to be used to describe normative beliefs about desirable goals and modes of conduct (Chaiken & Stangor, 1987; Rokeach, 1973, 1979). To avoid misunderstanding, McClelland, Koestner, & Weinberger (1989) abandoned the term "value" and replaced it with "self-attributed motives" to describe attitudinal or self-reported motives.

According to McClelland et al. (1989), the cognitive, information-processing model of human motivation in terms of needs, plans, and goals describes the way self-attributed motives function much better than the way implicit motives function. Self-attributed motives are characterized by organized thought; they start with an explicit goal that a person wishes for, then wants, and then becomes committed to pursuing in various ways (Heckhausen & Kuhl, 1985; Klinger, 1975, 1987). Klinger, Barta, & Maxeiner (1981) have studied empirically the varieties of current concerns that people report in interviews and questionnaires. Klinger developed the notion of a “current concern” defining it as the commitment to a goal and either the consummation of the goal or disengagement from it (Klinger, 1977, 1998, noted in Emmons, 1999). Most of the concerns have to do with unattained goals or unfinished business. The more committed people are to a goal or the more salient it becomes, the greater the likelihood that they will feel frustrated and unhappy for their slowness or failure in reaching it (McClelland et al.). In Fineman’s review, he states, “HRM interventions by positive scholars include empowerment programs to vitalize and positively energize organization, shifting employees toward greater positive commitment to organizational goals (2006, p. 277).

The situation is different with implicit motives because they are aroused by affective experiences intrinsic to an activity and not by explicit references to unmet goals (McClelland et al., 1989). It is especially important to realize that failure to meet a goal is not as apparent to those with a strong implicit motive. Observers may presume that a person who scores high in
implicit tests has a goal of doing better, but that person is not necessarily aware that he or she has such a goal. This premise is reinforced by Custers & Aarts (2005). They found that positive affect plays a key role in nonconscious goal pursuit. Their research revealed that nonconscious activation of desired behavioral states or behavioral goals promotes motivational activity to accomplish these states. Since there is no correlation between implicit and explicit desires to achieve, it is not as obvious to a low need achiever when a goal is not being met. In describing how an implicit motive functions, it is not appropriate to speak of wishing, wanting, and committing oneself to the goal that is recognized as the natural incentive for that motive (McClelland et al., 1989). Instead, the motive is better conceived of as leading to an activity that is the incentive for that motive. Thus, low need achievers have learned through experience to seek out certain activities that provide the pleasure of moderate challenge. However, they do not necessarily know that they have a goal of doing better. It seems sensible then, that low need achievers know less about what is guiding their behavior than do individuals with an explicit or high self-attributed achievement needs. The literature suggests that low need achievers are less able to plan appropriate corrective action when things go awry (McClelland, et al., 1989).

According to Seiling & Roux (2006), motivation is seen as something that can be expanded through applying chosen and spontaneous instances of recognition, affirmation and reward. They caution, however, that these methods are temporary and less than effective in the long term. Their work on constructive accountability suggests that motivation processes are dependent upon ongoing interaction activities with respected others that can include peers, leaders and/or other influential people. These interactions are what stimulates connection to and interest in work. They argue that when others disappear or act disinterested in our work, we also lose interest. This view supports prior research from Koestner, Weinburger & McClelland
(1991) regarding subjects who possess high self-attributed needs for achievement. Interaction with others, including the leader is important for high need achievers. This suggests that motivating strategies include opportunities for frequent interaction with the leader as well as team members. For both high and low need achievers, the leader’s use of an interesting variety of coaching techniques and feedback is critical for producing interest and effort.

**MOTIVATING STRATEGIES**

Locke & Latham (2002) state, “Motivation theory in the realm of work needs to draw on findings from other fields” (p. 393) suggesting that social psychology (Bandura, 1986), educational psychology (Dweck, 1986), and positive organizational psychology (Carmeon et al, 2003) have benefited the study of organization behavior. Keller’s work in instructional motivation is significant to this “crossover effect.” According to Keller (1983), instructional motivation attracts learners toward the instruction and increases their efforts in relation to the subject matter. Keller’s (1979) research on motivation, performance, and instructional influence illustrates how motivation can be integrated with the aspects of instructional science. Keller’s work helps explain what influences a person to approach or avoid a task, and how to make a task more interesting. Keller clearly distinguishes effort and performance as categories of behavior: “performance” means actual accomplishment, whereas “effort” refers to whether the individual is engaged in actions aimed at accomplishing the task. Therefore, effort is a direct indicator of motivation. Deci and Ryan offer self-determination theory proposing that “motivated behaviors vary in the degree to which they are self-determined (autonomous) versus controlled” (in Emmons, 1999). Consequently, according to Keller (1979), people can be viewed as more or less motivated by the vigor or persistence of their behavior.

**Intrinsic and Extrinsic Strategies**
According to Deci and Moller (1992),

When people are experiencing satisfaction of their basic psychological needs, they tend to do what interests them. In other words, they tend to be intrinsically motivated. Thus, intrinsic motivation requires experiencing an activity as interesting, while also feeling some support for one’s basic needs. The fact that interest is so central to intrinsic motivation implies, of course, that if an individual did not find an activity interesting, he or she would not be intrinsically motivated for it. Under such circumstances, for the person to do all the activity at all would require some type of extrinsic motivation—“extrinsic motivation” being defined as doing an activity for some operationally separable consequence (p.588, emphasis added).

Expectancy-valence theories (e.g., Porter & Lawler, 1968) had proposed that intrinsic and extrinsic motivation are additive, yielding total motivation. This led to the suggestion that activities (learning, work, etc.) should be designed to be as interesting as possible to stimulate intrinsic motivation and that social contexts should be organized to provide extrinsic rewards that are contingent upon effective performance at the activities. That way, there would be maximal motivation, consisting of the sum or the intrinsic motivation from the interesting activities and the extrinsic motivation form the contingent rewards (p.584). Attribution theory however, made a different prediction. deCharms (1968) suggested that when people perceive the locus of causality for their behavior to be within themselves, they tend to be intrinsically motivated, but when they perceive the locus of causality to be external, they tend to be extrinsically motivated. Harackewicz and Manderlink (1984) argue that performance-contingent rewards do not undermine intrinsic motivation but instead enhance it. Performance-contingent rewards are those given for doing well at an activity—that is, for meeting or surpassing some standard (p.585).
Daft (2002) defines motivation as the forces either internal or external to a person that arouse enthusiasm and persistence to pursue a certain course of action. His simple model of motivation has four elements: First, a need creates desire to fulfill needs (food, friendship, recognition, achievement), next behavior results in actions to fulfill needs, third, rewards satisfy needs either intrinsically or extrinsically, and fourth, feedback informs a person whether the behavior was appropriate and should be used again. Daft states that intrinsic rewards appeal to the ‘higher’ needs of individuals, such as accomplishment, competence, fulfillment, and self-determination. Extrinsic rewards appeal to the ‘lower’ needs of individuals, such as materials comfort and basic safety and security. The problem is that conventional management approaches often appeal to an individual’s lower, basic needs and rely on extrinsic rewards and punishments—carrot-and-stick methods—to motivate subordinates to behave in desired ways. According to Daft,

Although extrinsic rewards are important, leaders work especially hard to enable followers to achieve intrinsic rewards—both individually and systemwide. Employees who get intrinsic satisfaction from their jobs often put forth increased effort...leaders also strive to create an environment where people feel valued and feel that they are contributing to something worthwhile, helping followers achieve systemwide intrinsic rewards (2002, p. 277).

Hughes et al. (2006) describe performance as those behaviors directed toward the organization’s mission or goals, or the products and services resulting from those behaviors. They state that performance differs from effectiveness, which generally involves making judgments about the adequacy of behavior with respect to certain criteria such as work-group or organizational goals. In order for leaders to understand and influence follower motivation,
leaders must be knowledgeable about different motivational theories (need, individual difference, cognitive, and situational). Hughes et al. state, “Leaders who are knowledgeable about different motivational theories are more likely to choose the right theory for a particular follower and situation, and often have higher-performing and more satisfied employees as a result” (p. 247). Thus, leaders would need to spend more time with their followers to determine what interests them intrinsically and whenever possible, provide opportunities to perform particular tasks they find rewarding. Hughes et al. understands that this is not always possible. However, they state that leaders may be able to get higher-quality work and have more satisfied employees by reassigning work according to values and intrinsic interests.

**Motivational Learning Strategy: The ARCS Model**

Keller (1987), Keller and Suzuki (1988), and Keller and Kopp (1987) identified four categories of motivation in learning situations: attention, relevance, confidence, and satisfaction (ARCS). According to Keller, the ARCS model contains specific methods or strategies that are aimed at producing motivational outcomes when learners are lacking sufficient conditions such as interest or motives.

*Attention* refers to whether the learner’s curiosity is aroused and if stimulation can be sustained over time. *Relevance* refers to the learner’s perception of the personal need satisfaction in relation to the instruction, or whether a highly desired goal is seen as being related to the learning experience. *Confidence* refers to the perceived likelihood of success, and the extent to which success is up to the learner. *Satisfaction* refers to the combination of external rewards and internal motivation, and whether these motivators are compatible with the learner’s anticipations. Keller’s ARCS categories originate from a macro-theory of the relationships of individual and environmental characteristics on effort, performance, and outcomes.
Using Keller’s ARCS model, Bohlin, Milheim & Viechnicki (1993) collected data regarding the instructional motivation perceptions of adults in a variety of learning environments. College students and community education students were used in this study. Two instruments were used by Bohlin, Milheim & Viechnicki (1990): the Course Interest Survey Revised (CISR) and the Course Effort Survey Revised (CESR). By utilizing these instruments, instructional motivation needs of the two groups of adult learners were identified and analyzed.

The results of the first factor analysis (using the effort responses of learners in college classes) gave some support to the categories of the ARCS model with each of the first four factors entirely or predominately composed of items from one category of each (attention, relevance, confidence, and satisfaction). According to Bohlin et al. (1993), this suggests that the theoretical nature of the categories in the ARCS Model are consistent with the nature of the self-reported motivational needs of adults in college courses and workshops. Bohlin believes this also supports the long standing position that motivation often refers to time-on-task or similar measures of effort.

**Connecting ARCS to Achievement Motive**

Prior research from Koestner, Weinberger & McClelland (1991) regarding achievement motive and instructional motivation needs as assessed by Bohlin, Milheim & Viechnicki (1993) suggest a correlation between intrinsic/extrinsic needs on effort, performance, and outcomes. It is helpful to know that although many individuals may possess a mixture of both achievement orientations, one is usually predominant. Castelli (1994) used the ARCS model in conjunction with achievement motive to determine appropriate motivating strategies based on the need orientation of the learner. The major findings of this study centered on the interest variables as being most critical for predicting self-attributed needs of achievement. In fact, the interest
variables were most common to both groups of low and high need achievers. Results that
interest can be used to improve motivation in instruction indicate that learners will exhibit
significant gains in continuing motivation when relevant selections of their interests are utilized.
This is reinforced by Houtz (1994) who notes how interest is necessary for a transfer of learning
from one situation or task to another. The findings also indicated that motivational strategies
vary in their effectiveness dependent upon the need orientation of the learner. The results of this
study suggested guidelines for selecting motivation strategies that may enhance effort and
performance in classroom instruction.

APPLYING THE ARCS MODEL IN ORGANIZATIONAL SETTINGS

Castelli’s (1994) study was recently modified for application to organization settings
since it provides useful information for leaders and managers concerning achievement need
preference of their followers in task assignments, levels of challenge, feedback, and reward
systems. Understanding achievement needs, motivational strategies, and profile characteristics
for a given audience may greatly assist management in determining appropriate strategies to
enhance performance output. The needs assessment instruments could also be used to measure
the desires of a particular group (or groups) within an organization with the goal of obtaining
general requirements for various populations. Given these implications, this study was
conducted for use in organizational applications.

Conceptual Model

The conceptual model for this research is illustrated in Figure 1. The model shows
behavioral characteristics that all individuals possess — incentives and motives for achievement.
Interest and effort may be correlated to achievement motive. Relationships may also exist
between gender, age and degree status.
Figure 1. Conceptual Model for This Study

Self-Attributed Achievement Motive = F (Interest + Effort + Gender, Age and Degree Status)

Method

A random sample of working professionals were determined and appropriate subject sample sizes were established that consisted of undergraduate, graduate and doctorate students in a college of management at a private university. The participants were located at various levels in organizations.

Three survey instruments were used to conduct this research. For the first survey, subjects were asked to complete a self-report inventory of the achievement scale using Jackson’s Personality Research Form (1989). This information provided a basis for determining subjects’ low and high self-attributed needs for achievement. For the second and third surveys permission was granted to modify Bohlin et al. (1993) Course Interest Survey Revised and the Course Effort Survey Revised. The instruments were modified from instructor and student relationships to leader and follower relationships in order to determine how leaders can better motivate their followers to enhance performance within their organizations. For the Interest Survey Revised and the Effort Survey Revised (Castelli, 2006), subjects were asked to rate the importance of their leader’s various motivating strategies with regard to their own interest and effort, respectively. This information was used to determine strategies leaders can use to effectively motivate their followers in the workplace. In addition, critical demographic information (gender, age, degree status) was collected.
The validity of Jackson’s Personality Research Form is discussed extensively by Jackson (1989) in the Personality Research Form Manual. Keller and Subhiyah (1987) and Bohlin and others (1993) also provide validity for the Course Interest and Course Effort Surveys. Analysis was also performed to determine the overall reliability for all survey instruments used in this study. The pooled results for Jackson’s achievement scale was .65. Individual item reliability ranged from .61 to .66. Spearman-Brown’s correction was .71. Bohlin and others Course Interest and Course Effort Survey’s Revised show consistent high reliability, with Effort (.89) slightly higher than Interest (.85).

These survey instruments provide a strong basis for determining the motivation needs of followers and specific motivating strategies they value most from their leaders.

Summary of Results

The data indicates that age is significant in all categories of interest (except satisfaction) and all categories of effort (except relevance). Gender is not significant in the categories of effort and interest.

Means and standard deviations were also analyzed for each of the items in the Interest and Effort Surveys. In comparing the results between groups with low or high self-attributed needs for achievement, the data indicates that nearly identical strategies (leader uses an interesting variety of coaching techniques, leader is a positive role model, leader builds self-esteem, appropriate challenge level) were found most important to both groups. The data also indicates that the high self-attributed need for achievement group rated all of the items as more important than subjects with low self-attributed need for achievement. Correlations of all variables were analyzed. The data indicates that age and degree status are common in self-
attributed need for achievement. In the motivational characteristic categories of interest and effort, no significance was seen.

Discriminant analysis was employed to determine if profile and motivational characteristics could be used to predict low and high self-attributed needs for achievement. The results of the canonical discriminant functions indicate that the variables used as predictors in this study (profile and motivation characteristics) is significant and, therefore, can be generalized to the population to which the study sample was drawn.

Furthermore, the results indicate that in the category of interest, attention was most powerful in predicting self-attributed needs for achievement. Other powerful predictors were also in the area of interest (satisfaction and relevance). Satisfaction, confidence, and relevance (interest) and attention (effort) showed a negative correlation indicating an inverse effect on motivating strategies. Thus, not employing specific motivating strategies or not employing motivating strategies effectively can actually de-motivate followers.

Finally, classification results were analyzed to determine how often low and high self-attributed need for achievement groups could be predicted. The data indicate that with the predictors used in this study, learners with low self-attributed needs for achievement could be correctly classified 52.8 percent of the time, and learners with high self-attributed needs for achievement could be correctly classified 65.4 percent of the time. The classification results indicate that the profile and motivational characteristics used in this research are fair predictors in determining self-attributed needs for achievement.

The initial premise for this study suggested that self-attributed needs for achievement may not always be considered by leaders in organizational settings. Furthermore, failing to incorporate various motivational strategies to accommodate different need achievement
orientations may inhibit follower performance. In addition, the specific motivational needs of followers may vary based on gender, age, and degree status. The relationships between these variables were analyzed and reported.

The findings indicate that motivational strategies vary in their effectiveness dependent upon the need orientation of the follower. Therefore, the approach a leader takes in motivating his/her followers could accelerate or impede their performance outcomes. The results of this study suggest guidelines leaders can use for selecting motivation strategies that may enhance interest and effort to enhance performance. The implications are highlighted below.

**DISCUSSION**

1. **Attention** is an important factor for gaining and sustaining the both need achievers’ effort. Motivating strategies should be incorporated that capture the followers’ interest. Using a variety of coaching techniques employed by the leader that include feedback on performance is also important. Making the follower feel enthusiastic about the challenge may enhance effort. Executive coaching has been found as most effective when it genuinely applies to one’s inner desires and capacities (Kauffman & Scoular, 2004).

2. **Relevance** is a very important component for both need achiever groups. This is evident in the area of interest where “leader viewed as a positive role model” is a critical attribute to all respondents. In the area of effort, appropriate challenge level is important to the low need achievers whereas working with others is most important to the high need achievers.

3. **Confidence** is a significant factor to both need achiever groups in both the interest and effort categories. A leader’s ability to build followers’ self-esteem is viewed as vital. Consistency should also be maintained to produce ongoing effort and for sustaining interest. However,
interest and effort may decline for both groups if the leader fails to establish trust, or undermines the capabilities of followers’ worth.

4. **Satisfaction** is important to facilitate continuing motivation for both interest and effort.

Finding levels of challenge that are appropriate is important to both need achiever groups. Results suggest that for the high need achievers, interest and effort may be contingent upon the personal satisfaction obtained from the learning experience. Therefore, projects and tasks should be designed to meet the personal needs of the individual.

5. High need achievers cited all categories of attention, relevance, confidence and satisfaction for both interest and effort as more important than low need achievers. This implies the increased need for the leader’s involvement in their daily activities.

6. The age of the individual may be correlated to self-attributed needs for achievement. The results suggest that the older the individual, the more they tend to be high need achievers. Similarly, the more education individuals possess, the higher the tendency for self-attributed needs for achievement.

7. Gender does not appear to be a factor in determining low or high self-attributed needs for achievement.

8. Overall, the leader’s ability to increase followers’ effort is most important in continuing motivation.

The major findings of this study centered on the leaders’ ability to build self-esteem of their followers and importance of leaders to be viewed as positive role models. Results that interest and effort can be used to improve motivation indicate that followers will exhibit significant gains in continuing motivation when relevant selections of these strategies/attributes are practiced by the leader.
Since effort categories were cited as most important for both low and high need achievers, improving their desire to return to task (effort) remains an important objective. The increased desire to persist in a task has long-range implications for advancements in learning and performance. This implies that a more intensified use of effort variables in motivating followers may prove beneficial. For convenience of the reader, Table 2 provides a brief overview of need achievement preferences.

--Insert Table 2 here--

Conclusion

While a leader may be quite pleased with the output of his or her staff, it is more than likely that there is room for improvement. Understanding what motivates followers to perform their best work is key in order to achieve the highest level of satisfaction for both the leader and your team. Also, it is crucial that the leader puts this understanding to use by consistently providing the incentives and tools which he or she finds to be effective.

The findings indicate that the motivational needs of the low and high need achievers do not differ as much as was first believed. Both achiever types indicated that effort was more critical than interest. The effort put forth by the follower is enhanced by the leader’s ability and willingness to use an interesting variety of coaching techniques, appropriate challenge levels, and self-esteem building methods for both achiever groups. The same is true in the area of interest, although both groups found that their interest in a given area was secondary to the effort they made when attempting to accomplish their goals. It was concluded that both the low and high need achievers require essentially the same qualities of their leaders in order to enhance their performance.

It is the effective leader’s job to build self-esteem, to set appropriate challenge levels, to
utilize motivating coaching techniques, and so on, regardless of the follower’s particular achiever traits. The leader’s role in promoting interest and effort is critical to the follower’s success. Also, the leader must serve as a positive role model, despite the indication that the low need achiever is intrinsically motivated. Proper application of specific motivating strategies will help both low and high need achievers, may increase interest and effort, and will ultimately fulfill the objective of enhanced performance.
<table>
<thead>
<tr>
<th>Describing Trait and Reference</th>
<th>Low Self-Attributed Need for Achievement</th>
<th>High Self-Attributed Need for Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Drive</strong> Koestner &amp; McClelland, 1990</td>
<td>Energized by natural incentives for variety and challenge</td>
<td>More extrinsic and outcomes focused in nature</td>
</tr>
<tr>
<td><strong>Discovery Approach</strong> Koestner &amp; McClelland, 1990</td>
<td>Associated with feelings of interest and surprise</td>
<td>Feelings of pressure and tension</td>
</tr>
<tr>
<td><strong>Performance Behavior</strong> Koestner &amp; McClelland, 1990</td>
<td>Individuals cherish the process of performing an activity</td>
<td>Individuals behave in a competent manner as defined by the particular situation</td>
</tr>
<tr>
<td><strong>Incentive</strong> Koestner &amp; McClelland, 1990</td>
<td>Guided by self-reactions; satisfaction in anticipating task success</td>
<td>Governed by an acquired desire to perform <em>like</em> an achiever; guided by social reactions</td>
</tr>
<tr>
<td><strong>Success</strong> Becker, 1960</td>
<td>Internal standard of excellence</td>
<td>External standards that are recognized by others</td>
</tr>
<tr>
<td><strong>Risk</strong> Atkinson &amp; Litwin, 1960</td>
<td>Preference for intermediate risk</td>
<td>Greater avoidance of intermediate risk</td>
</tr>
<tr>
<td><strong>Persistence</strong> Atkinson &amp; Litwin, 1960</td>
<td>Greater persistence</td>
<td>Unrelated to persistence</td>
</tr>
<tr>
<td><strong>Conditioning</strong> McClelland, 1980</td>
<td>Operants – spontaneous behavior trends</td>
<td>Respondents – predictive of immediate choice behaviors</td>
</tr>
</tbody>
</table>
Table 2. A Summary of Need Achievement Preferences for Leader Motivation

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Low Need Achievers</th>
<th>High Need Achievers*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest:</td>
<td>Overall less critical than effort</td>
<td>Overall less critical than effort</td>
</tr>
<tr>
<td></td>
<td>Leader uses an interesting variety of coaching techniques</td>
<td>Leader uses an interesting variety of coaching techniques</td>
</tr>
<tr>
<td></td>
<td>Leader is a positive role model</td>
<td>Leader is a positive role model</td>
</tr>
<tr>
<td></td>
<td>Leader builds self-esteem</td>
<td>Leader builds self-esteem</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>Appropriate challenge level</td>
<td>Appropriate challenge level, Leader helps me accomplish my personal goals</td>
</tr>
<tr>
<td>Effort:</td>
<td>Overall more critical than interest</td>
<td>Overall more critical than interest</td>
</tr>
<tr>
<td></td>
<td>Leader uses an interesting variety of coaching techniques</td>
<td>Leader uses an interesting variety of coaching techniques</td>
</tr>
<tr>
<td></td>
<td>Appropriate challenge level</td>
<td>Working with other people</td>
</tr>
<tr>
<td></td>
<td>Leader builds self-esteem</td>
<td>Leader builds self-esteem</td>
</tr>
<tr>
<td></td>
<td>Leader helps me accomplish my personal goals</td>
<td></td>
</tr>
<tr>
<td>Demographics:</td>
<td>ARCS strategies cited as less critical</td>
<td>ARCS strategies cited as more critical</td>
</tr>
<tr>
<td>Gender</td>
<td>Least critical</td>
<td>Least critical</td>
</tr>
<tr>
<td>Age</td>
<td>Younger learners more apt to be low need achievers</td>
<td>Older learners more apt to be high need achievers</td>
</tr>
<tr>
<td>Degree Status</td>
<td>Less education apt to be low need achievers</td>
<td>More education apt to be high need achievers</td>
</tr>
</tbody>
</table>

* Note: In all cases, the high need achievers cited each motivating strategy (ARCS) within the interest and effort variables as more important than the low need achievers.
References


Castelli, P.A. (1994). *An analysis of self-attributed achievement motives and their effects on instructional motivation needs of adult learners*. Published dissertation, Wayne State University, Detroit, MI.


Abstract

Today governments at all levels respond to millions of citizen demands electronically. Electronic-government (e-government) promises accurate, agile, transactions and delivery of services and information to businesses, citizens and governments agencies. Moreover, e-government contributes towards the enhancement of democracy. Definitely businesses continue to interact electronically with other businesses and their clients because they have to do so, in order to be efficient. E-government utilizes information technology (IT) to provide all the access to a wide range of public services. This paper puts forward a conceptual model for a better implementation of electronic government. The paper argues that several key success factors are appropriate for e-government implementation.

Keywords: E-government, IT, G2B, G2C, G2G, Vision, Publications, Knowledge management, Interaction, Transaction

Introduction

Background

E-government is enabling government companies to provide better services to their customers. The ability to improve citizens’ access to services online has made e-government a desirable application for government organizations. Governments around the world are implementing e-government. In every part of the world from industrialized countries to developing ones governments are putting information online to provide better services for citizens (The Working Group, 2002; Chircu, Lee, 2005; Palmer, 2003).
Transaction such as renewing driver’s licenses, applying for jobs and filling tax forms can now be conducted online, quickly and efficiently (West, 2005-2). To be able do these services, e-government uses information technology (IT). The increase in e-government operation throughout the world, although significant, is due mostly to small number of countries, such as: Taiwan, Singapore, United State, Hong Kong and Canada. Table-1 shows some differences in e-government by region of the world (please see appendix A, for various e-government website URL).

Table 1: E-government by region of the world

<table>
<thead>
<tr>
<th>Region</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>47.3%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>29.6</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>27.1</td>
</tr>
<tr>
<td>Asia</td>
<td>37.3</td>
</tr>
<tr>
<td>Middle East</td>
<td>27.4</td>
</tr>
<tr>
<td>Russia/Central Asia</td>
<td>25.0</td>
</tr>
<tr>
<td>South America</td>
<td>25.9</td>
</tr>
<tr>
<td>Pacific Ocean Islands</td>
<td>27.9</td>
</tr>
<tr>
<td>Central America</td>
<td>24.1</td>
</tr>
<tr>
<td>Africa</td>
<td>22.0</td>
</tr>
</tbody>
</table>

Extracted from source: (West, 2005-2, p.9)

Developing countries are behind in this race to provide e-government services to their citizens. This can be due to many reasons, such as lack of a good communication infrastructure, low computer literacy, and limited access to the Internet and so on. These issues have to be addressed before developing e-governments applications. Officials should be aware of the obstacles before starting the project, because, e-government project is a long and costly project [The working group, 2002]. In the following sections of this paper, the author makes an effort to disclose the concept of e-government in a way that leads to more successful e-government project development.

Research method

This study defines various vital perceptions and their relationships involved in embracing e-government. The research introduced here draws upon social system theory in the functionalist sociology defined by (Burrell and Morgan, 1979). This paper approaches its subject matter from an objectivist perspective. The conceptual model presented here is based on the “holistic view” school (Social System Theory). The methodology is based on a literature review and personal experiences as an IT consultant in numerous organizations.
Idea development

E-government

One frequently asked question regarding electronic government (e-government) is “What is e-government?” E-Government is more than just making some public information and specific citizen services available to people via website (Curtin et al., 2003). E-government serves as portal focused mainly on access to the public sector; these portals are aimed at citizens (G2C), businesses (G2B), other governments (G2G) and anyone else who are interested in the government and its services. Over 160 countries worldwide have already begun some kind of e-government project, creating a major market for IT vendors and service providers that are competent in helping public agencies in their technology initiatives (Greiner, 2005). Governments are facing increased service expectations by their citizens. Some of the services that can be offered by e-governments are as follows (Evolution of e-government, 2002):

**Government to Citizens (G2C)**
1. Income taxes: notification of assessment. 2. Job search services by labor offices 3. Social security contributions (3 out of the following 4). 4. Personal documents (passport and driver's license). 5. Car registration (new, used and imported cars) 6…..so on.

**Government to Business (G2B)**

According to a study made by (Cap Gemini, Ernst and Young, 2001) shows that in Europe the most used services are the job search, income taxes, VAT and corporate tax services; the least used are the health related services, building and environment-related permits.

Further, the study emphasizes that in Europe the biggest customer of e-government services are businesses (G2B, 53%) whereas services for citizens (G2C, 40%) score significantly lower. Though US companies led the e-commerce initiatives among businesses, but e-government portal efforts in the US were not ahead of the world. FirstGov (see appendix “A” for URL) is the US federal government's portal, providing access to both state and federal government agency Web sites. US portal now offers Americans a complete source of information, including the options to apply for student loans and even Social Security benefits online. FirstGov has about 186 million pages across 22 different sites and receives 6 million visitors per month (Greiner, 2005). The US e-government initiative is divided in three main groups as follows (Murra, 2003):

**Government to Citizens (G2C)**
help. 10. Other useful information (for sales, weather forecast, recreation).

**Government to Business (G2B)**

**Government to Government G2G:**

The US e-government strategy is to improve the quality of the services to the citizens and businesses. According to a study by (West, 2005-1), of the websites examined 27% have no services, 11% present one service, 8% have two services, and 54% have three or more services. Obviously, both federal and state governments are making important improvement to provide services online. In this complex world, one has to know more about e-government. One may never have heard of it. Among unknowledgeable individuals are our politicians whom may not understand the concept and application of e-government. Surveys carried out by the United Nations Conference for Trade and Development (UNCTAD, 2002) on the development of e-commerce in various parts of the world have mentioned that there is a need in developing countries for transparency within government operations (Mitra, 2005). Electronic commerce (EC) has revolutionized the way the business and individuals interact (Maysami and Sagheb-Tehrani, 2005). In United States and Europe, the use of the Internet in the public sector has initiated a discussion about new forms of democracy. The e-government will change the course of democracy by providing government operations everywhere available to all citizens.

**Vision, Principles and Priorities**

A fully implemented e-government can break down bureaucratic barriers and move to a better service level. This would provide connections and protection in every aspect of a government’s activity. This provides an opportunity not merely to manage business but also to get wide access to what government is doing and intending to do, and how, and why. This will allow citizens more than ever before to take part in government decisions and become more knowledgeable of the performance of their elected representatives. Citizens will have the chance to become stable players in the process of determining and making government task (McGinnis, 2003). A broad vision of e-government should be shared by all citizens, i.e., encouraging stakeholders (citizens, officials, businesses, civil society groups and others) to participate in determining the vision. A shared vision can lead to a more successful implementation of e-government, i.e., supporting e-government projects from beginning to end. Putting it differently, e-government would make
government become closer to this vision: an institution of the citizens, run by citizens, owned by citizens and for the citizens. Fighting corruption should be included in the vision. This may be announced to the public as “anti-corruption” goal of e-government. Naturally, each government’s vision should also be accompanied by a short list of priority areas for the e-government project. Following is a recommended priority list of improvements:

- Employee productivity
- Service delivery
- Information security
- IT infrastructure
- Data management
- IT management
- Human resource management
- Disaster recovery/management and
- Others.

Publications

To be able to search for specific websites is a basic tool needed by citizens. In this regard, one significant new development has been the formation of online service portals. This service is an important advantage because it reduces the need to log on to various websites to order services or find information. Citizens can connect in "one-stop" shopping, and locate what they require through a single site that integrates a range of government websites. One of the main dissatisfaction for citizens is going through enormous amounts of information to locate useful material. Admission to updated publications, contact information and databases are vital to citizen access to information and improve democratic responsibility. Another way that e-government websites can provide the available information to citizens is by personalizing the website or letting citizens to register to receive updates publications. This is known as “push technology” (Murru, 2003). All these services utilize IT to expand access to government information, so that citizens do not need to go to the government officers in person and wait in long lines. This is the leading frame of e-government. Naturally, knowledge is required on how to manage publications, how to present information clearly online and how users likely to use the information.

Interaction, transparency and accessibility

A state should aim to have broadband connections for all public administrations. Broadband services can be offered on various technological platforms. Public Internet Access Points (PIAP), preferably with broadband connections, should be provided for all citizens in their communities. Internet is a perfect tool for obtaining public access to government information. Accessible and clear information can improve citizens’ understanding and knowledge and may lead them to take part in the decision-making process, developing democracy. With the increase of the Internet, the value of well designed e-government website will become even more obvious. Making it easier for citizens to access public information will improve participation and democracy.
Knowledge is required on how citizens or government officials look for information and like to receive it. The following figure indicates how US internet users find their information requirements. In most of the cases, users find well what they need more than 70% of the time in all groups (Murrur, 2003). E-government sites should also consider disability access. World Wide Web Consortium (W3C) has introduced some standards regarding the disability access. There has been some progress in disability access on US government websites. Further, e-government sites should provided foreign language accessibility as well. Public outreach is one of the most important characteristic of any e-government. Put it differently, one of the main promising feature of e-government is its capability to bring citizens closer to their governments. In my examination of US Citizenship and Immigration (USCIS) websites, a visitor to the USCIS website cannot email or phone a person in any particular department.

**Transaction**

The goal of transaction is to provide government services available online. Government companies can make particular processes and procedures computerized, such as fine collection, tax collection and credit card purchases online. By having these services, government can restrict corruption and improve citizens’ trust. Further, this can lead to increased productivity in both private and public sectors. Knowledge of efficiency and security is required for designing such a computerized system. In the study by West (2005-1), it is mentioned that there are several novel services available on US state portals, such as live online help desk and state tourism sites featuring online planning for travelers. At the same time, the study, mentioned some aspects of e-government privacy and security issues.

**Conceptual model and conclusion**

Designing an efficient and successful e-government is very challenging and demanding process. Theory is important for researchers. Researchers who proceed without theory rarely conduct top-quality research. Concepts are the main building blocks of theory. A concept can be an idea expressed as a symbol or in words (Neuman, 2003). Thus the conceptual model presented here may contribute to the theory of correlated fields. Figure-4 shows an e-government conceptual model with its relationships.
Fig. 4: E-government conceptual model

The conceptual model suggests a number of propositions regarding the impacts of some concepts related to e-government. In this section seven particular research proposals are stated in general terms. The aim is to suggest important issues that need to be investigated further. Deeper discussion of the research propositions may also reveal that potential efforts are often complex with both positive and negative connotations.

**Proposition 1:** Knowledge management is required to shape the concepts of IT, vision, publication, interaction and transaction.

**Proposition 2:** The concept of IT is based upon other concepts such as: IT blue print, communication and IT priorities.

**Proposition 3:** The concept of vision is derived by concepts of citizen centered and vision priorities.

**Proposition 4:** The concept of publication is formed by the concepts of update, personalizing and push technology.

**Proposition 5:** The concept of interaction is created by the concepts of PIAP,
Proposition 6: The concept of transaction is based upon the concepts of security, privacy and novel services.

Proposition 7: The concept of e-government is generated by the concepts of IT, vision, publication, interaction and transaction.

All government or business operations require an effective management, as it is for e-government. To be able to deliver a project within a budget and on time, coordinate effectively between all partners all depends on management [The working group, 2002]. This study has introduced a conceptual model of e-government. The conceptual model allows one to comprehend very broadly the concept of e-government. This helps to design more successful e-government projects. Further, this work may supply a basis for future research in the associated disciplines. One direction would be to use the conceptual model presented here in a case study. Moreover, the propositions launched here are meant to provide a starting point for supplementary research on this subject. Research in this theme should make a contribution to the knowledge of e-government development so that these projects can be implemented more effectively.

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References:


Maysami R.C, Sagheb-Tehrani M, (2005)“ A four forces model for success in electronic commerce”, In the Proceeding of Emerging Issues In Business & Technology, pp.65-73, Nov, 3-5, Myrtle Beach, USA.

Appendix A:
List of some related links to electronic governments

Directgov: http://www.direct.gov.uk/
E-Government Development Gateway: http://www.developmentgateway.org/
FirstGov: http://www.firstgov.gov/
Hong Kong e-government: http://www.info.gov.hk
United nation online network in public administration and finance: http://www.unpan.org
Abstract:

The basic objective of this paper is to demonstrate that there are various forces such as online education, outsourcing, intellectual properties, PQs, and the like that have been developed to reduce salaries of faculty members in the long run. The stated goal behind such a strategy is to reduce the cost of higher education. But if the tuition rates do not decline, cutting the salaries of faculty means higher profitability for the institutions of public higher education in the short run, assuming other elements of cost are fixed. The expected cut in faculty’s salaries and the continued rising tuition rates are termed warfare against faculty and students, launched by administrators for their own vested interest, that will deteriorate the quality of public higher education and deprive many young women and men from attending public colleges and universities. This will deteriorate the global competitiveness of the United States of America, because it will slow down innovations and deteriorate the quality of the labor force.

1. Introduction

Thorstein Veblen (1904 and 1923) and Wesley C. Mitchell (1941) provided an excellent theory of the business cycle for the macroeconomy. The theory explains what has been called by Sherman (1991) the nutcracker theory of the business cycle. In this theory an expansion is explained by higher revenues and lower costs, or more profits, and a recession is explained by low revenues and higher costs: lower profits. What is fascinating about this theory is its applicability to the microeconomic level, particularly the institutions of public higher education. For profitable public higher education the revenues have to increase and the costs have to decline. Revenues can be increased if the tuition rate increases, or if number of credits generated by a college can be increased, assuming the tuition rate is fixed. The revenues can also be increased if both credits generated and tuition rate increase. In fact, this action will open the upper part of the nutcracker. Costs of higher education can be reduced if salaries of faculty are cut or the number of faculty members decreases. The decline in costs will indeed lower the bottom part of the nutcracker. Both actions of high revenues and low costs will augment profitability of higher education.

Public higher education has been experiencing a rise in costs and in tuition rates. Administrative cost has been on the rise as well. If each public college and university is analyzed on its own, one can find that even in a small public university such as the University of Illinois at Springfield, (UIS) that many expensive administrative positions have been created and that salaries of important administrators have been increasing by more than 300 percent over the last fifteen years. Similarly, tuition rates have been increasing by the same percentage or more, a situation that has created many difficulties for middle class and poor families to send their young women and men to public colleges and universities. The act of raising tuition costs has become a form of warfare against students. Although loans and financial assistance can be secured to finance
education, interest rates have been on the rise, which will make it very hard for students to pay their education loans in the future and live decently.

This paper aims at analyzing the recent administrative warfare against faculty, which is manifested in cutting faculty cost: wages and salaries. Several administrative forces designed to cut faculty cost are investigated in this paper. Section 2 analyzes the concept of professionally qualified (PQ) instructors introduced by the AACSB as a form for providing practical knowledge, and section 3 is devoted to explain some of the problems with intellectual property rights in online education. Section 4 analyzes global online education and unequal exchange through outsourcing of courses to foreign countries, and section 5 tackles the equity model used by some administrators for increasing salaries of some faculty members in order to support administrative decisions that financially hurt faculty in the future. It will be shown that this model does not achieve its intended goal. The last section is devoted to a summary and conclusions.

2. AACSB and the Practical Knowledge
In an eNewsl ine, 15 December 2006, John Fernandes, President and Chief Executive Officer of AACSB International, provided some justifications for the need of the concept of Professionally-qualified faculty member, PQF, stating that the AACSB has “developed and launched the Professionally-Qualified Faculty Bridge Program”, which includes a “one-week intensive is designed to help individuals with appropriate practical credentials and work experience jumpstart a career shift to PQ business school faculty.” The basic goals of this program are to supply more faculty members to teach business courses, to provide practical knowledge and experience to other faculty members, a mix of academic and professional knowledge for better education in business colleges, and to help solving the problem of rising cost of higher education.

It is usually understood that faculty members have academic knowledge which has two components. The theoretical component is designed to provide a general explanation of a particular segment of reality. The practical part is to apply the theory to reality for solving problems, or formulate policies for achieving some future goals. Both of these components create a cohesive whole of knowledge which is provided by colleges to students through academic professors. Once students graduate and are employed by firms, these students will complement their knowledge with vital experience from the working place. Still, the knowledge they carry with them will be the backbone for their future. It follows that the argument of adding practitioners in order to enhance education is very disturbing. Essentially, it means that college education lacks the proper components of relevant education, and the latter proposition is an unrealistic and a misleading statement designed to downgrade college education for other purposes. It may also mean that some colleges, those that do not offer the applied aspects of science, are out of touch with reality.

Therefore, the introduction of the PQF concept will downgrade the quality of college education. Those practical professionals working in insurance, finance, management, marketing, and the like must have high quality credentials to teach and practice their fields in business colleges, because having practical knowledge does not necessarily mean knowing the scientific component of the field. A basketball player who is not knowledgeable in physics may shoot the ball in a trajectory to score points, but the scientist is able to explain why the shot must go in that
direction. That is to say, a competent college professor must know both parts in order to teach students. These professors develop theories through scientific procedures and apply them for solving business problems. Practitioners cannot provide such a task. In other words, the quality of education will be deteriorated if PQFs becomes an important source for delivering the curriculum of higher business education.

The main rationale for the introduction of PQFs is to lower the salaries of business faculty in the long run. In a competitive market model a shortage of workers will generate higher wages as a result of excess demand. Thus, in the case of CEO Fernandes, the best solution is to increase the supply of faculty by introducing the PQFs in order to cut salaries. A similar response was engineered by hospitals when there was a shortage of nurses during the 1980s. Hospitals did not raise wages in order to stimulate people to become nurses; rather, they imported nurses in order to increase their supply in order solve the problem of shortage, a process that reduces wages or keeps them stagnate. In fact, this is manipulation of the market forces for controlling wages and salaries.

Business faculty will face a similar problem. The PQFs will augment supply and will reduce salaries. Cutting salaries may reduce the cost of public higher education as the salary bill declines. If cost and tuition rates fall, then this decline generates a condition that helps many families and stimulates them for sending their women and men to public colleges. But student’s cost of public higher education will not decline. In fact, the expected decline in salaries will be accompanied by same (or higher) rates of tuition, a situation that will increase profitability of public higher education. Many public colleges will adopt the same model. Eventually, the quality of higher public education will decline in colleges employing PQFs.

There will be some misuse of the PQFs by some business colleges. These colleges will rationalize the employment of low cost PQFs to deliver higher business education for more profits. Some or most of those PQFs do not have degrees in these fields, nor have they shown solid scholarship, because they may not be able to publish articles in their fields of employment. Therefore, a tendency will rise to allow these PQFs to publish in the so-called practical journals. This practice will be echoed by other business faculty. Thus, many faculty members will seek practical journals to publish their works, but many of these journals are either unknown or of low quality. Business faculty with solid scholarship will have a difficult time to survive in such colleges.

The PQFs will be misused by some of the existing faculty members who were hired at a reasonable level of salary. Those faculty may deviate from the requirements of qualifications of academic faculty and resort to satisfy the requirements of scholarship by using the so-called practical journals. With several levels of consultation, I have reached the conclusion that most of these practical journals are not suitable for higher public business education. In other words, reasonably-paid business faculty will not produce a high level of scholarship.

3. Intellectual Property and Online Education
One of the tools that has been used to deliver online courses is the Blackboard, where students and faculty can interact. It is indeed a very useful tool for enhancing education and communication between all parties involved in the education process. The Blackboard, however,
has a very serious problem that can be considered as a way for looting faculty scholarship. Every element communicated through the Blackboard is copied. When a faculty member produces their intellectual product, the faculty can share the product with the students by posting it on the blackboard. But once the materials are posted, the university will have a copy of them; hence, the university will own the intellectual product.

Some universities pay a faculty member some stipend to develop online courses. Whether or not the faculty is retired, the university can ask another faculty to teach the course. The university can also develop a derivative of that course and can ask another faculty or a part-time faculty to teach it. In either way, the faculty may not teach the same courses they developed earlier. Nor will they receive royalty form the university when the course is offered. Some universities, it should be stated, pay faculty royalty, say 50 dollars, for every student that takes their online courses whether or not the same faculty member teaches the course.

There are some cases where faculty members developed online courses without signing any intellectual property document. Once the faculty is about to finish teaching these online courses, the university asks them to sign the intellectual property form. Under these conditions, if the form is not signed, then the faculty will have to lose the materials they developed because the materials are copied by the blackboard. If the faculty member does sign the form of intellectual property, then their scholarly work is no longer theirs, and the faculty has to obtain an approval from the university if they want to use their own work elsewhere.

In fact, there is a risk in signing the intellectual property form after teaching the course. Some of the forms have some clauses such as the materials of the course have to be original. But in reality most of the course materials are not original in that they may be similar to materials that already exist. In this case, the faculty may be accused as plagiarizer by the university. Stated differently, these intellectual property forms can be used by the university administrators as another leverage to terminate even tenured faculty.

The intellectual property has different effects on faculty. If one divides faculty into two groups, one group that has solid scholarship and the second does not have scholarship, then the intellectual property will negatively affect the first group. Usually, the first group of faculty spends a great amount of time developing their own course materials, or products. In fact, the products they develop may be used for publishing several scholarly papers and books. The other group spends a less amount of time for developing their products, because their course materials include items obtained mostly from publishing companies. Therefore, the intellectual property documents will confiscate the scholarly products of the first group of faculty, but they will obtain nothing from the second group. In some cases scholarly faculty have to take permission from their universities to publish their own work, and in others, faculty have to provide funds or part of the proceeds to their universities for their published products.

As can be readily seen, intellectual property leads to two opposing trends. The first trend is when the faculty are paid loyalty when their online courses are offered and taught by any faculty. In this case the faculty are stimulated to develop excellent courses, because there is some financial implications for the developers of these courses. The faculty can receive royalty for each student taking the course, and this royalty is an additional source of income for that faculty. This
incentive compels faculty to develop high quality courses, which they become excellent investment and source of income for the faculty members. It follows that high quality courses provide students with better education, enhancing the university’s reputation and can be used for recruitment of students.

The second trend leads to a low quality course development, particularly when faculty members understand the process. When the university does not provide long run incentives for the faculty member to develop these courses, the faculty may not develop good online courses. Usually, faculty members do not develop courses of high quality where students can receive the materials through the blackboard. This is because the faculty’s product can be confiscated by the university each time that faculty posts the course materials on the blackboard. Eventually, the course materials will be owned by the university, and the faculty may not be able to teach elsewhere when they retire.

These developed courses can also be taken by the university and be given to other colleagues to teach. The university may even outsource the courses to other faculty to teach them. Thus, both ways will compel the faculty not to develop a comprehensive high quality online course. In short, intellectual property, if it is not maintained properly, can become a tool for Deterioration of Quality of Product and a form of Looting of Faculty scholarship. Both outcomes will affect higher education negatively, and will provide ample of low-cost faculty to teach these courses. Consequently, salaries of faculty will decline.

4. Global Online Education: Outsourcing and Unequal Exchange

University of Illinois was trying to establish what has been called Global Campus, where online education can be provided globally, but the proposal was defeated and most likely it will come to vote again. Such a strategy, which some universities will employ in the future, is designed to generate more profits and to push faculty’s salaries downward in the long run. Global campus is an excellent tool for exploitation and unequal exchange, a phenomenon provided by Emmanuel (1972) and Amin (1972 and 1976) to show the exploitative global relationships between developed and developing countries. Marx (1967) thinks that the value of a product (P) consists of wages (W), depreciation of fixed capital C, and surplus value (S). This can be written as

\[ P = W + C + S \]  \hspace{1cm} (1)

And the rate of profit (R) is

\[ R = \frac{S}{W + C} \]  \hspace{1cm} (2)

and \( S/W \) is the rate of surplus value, or the rate of exploitation. Equation (2) can be rewritten as

\[ S = R(W + C) \]  \hspace{1cm} (3)

Using equation (3) into equation (1), equation (5) is obtained

\[ P = W + C + R( W + C) = (W + C)(1 + R) \]  \hspace{1cm} (5)
That is, the price of the product reflects the total (or average) cost of the product multiplied by one plus the rate of profit (R) or the markup. Fundamentally, equation (5) can be restated to mean that the product is sold at a price (P) such as

$$P = (AVC + AFC)(1 + R) \ldots (6)$$

where AVC, AFC, and R are average variable cost, average fixed cost, and the rate of profit, respectively. Assume there are two countries such as the United States of America and India. Since labor of equal productivity is cheaper in India relative to USA, the price of the product will be higher in the USA relative to India, assuming every thing else is fixed. Under the global capitalist economy a firm usually sets the price at the cost of the advanced country. The firm, therefore, can make a very high rate of profit if it produces the product in India and sells it globally (at USA price/cost).

Simply, workers in two different countries, whose productivities are equal, are paid unequal payments which are the basic source of profitability. An electrical engineer in India makes $100 a month and another in the United States of America of equal skill and productivity makes about $8000 a month. If they produce a computer, the computer is sold at a price that is consistent with American engineer’s cost. The Indian engineer may purchase the same computer at the price set in the USA. Thus, the same labor time of the two engineers is exchanged unequally. The American labor is 80 times more valuable monetarily than the Indian labor, given they have the same productivity. Therefore, a computer company located in the USA can move to India and will be able to make huge rates of surplus value and profit compared to its previous location.

Online global education can be provided by better faculty members than those who teach at university campuses, faculty who can generate huge profits for the university. An example may illustrate this situation. A university offers online course, say, Principles of Marketing, a course that can be taught by a tenured faculty member employed by the university or by a foreign faculty living out of the United States of America. If the course is taught by the tenure faculty, the faculty cost may be as follows. If the faculty makes $90,000 a year (nine months) and the faculty teaches (6) courses a year, the faculty cost per course is $15,000. If the course has 25 students and worth four credits, then 100 credits will be generated. If the cost (price) per credit is $200, which sets under US market conditions, then the revenue of this course is $20,000. Let assume for simplicity that all other types of cost are equal to zero, it follows that the profit of this course is $5,000.00. That is, the rate of surplus value is (5000/15000)(100) which is 33 percent.

But if the course is taught by the foreign faculty, the following situation occurs. The university can hire an excellent faculty living in a foreign country to teach the course by using her personal computer. The faculty may be a graduate of one of the top universities in the world, whose cost for teaching the course may be less than $1000. The foreign faculty is thus better than the university tenured faculty. Let us assume that the cost is $1000. Under this condition, the profit of the course is $19000, and the rate of surplus value is (19000/1000)(100), which is 1900 percent. Therefore, global online education generates more profits for the university, and the quality of the course is very high. If the university hires a low quality foreign instructor to teach the course for say $200, the rate of surplus value will increase tremendously to (19800/200)(100), or 9900 percent. Parenthetically, if for simplicity the average total labor cost
of the course credit is ($200/100) which $2.00 and the price which is determined by the US market is $200, then this means the rate of profit \( R \) is \( 200 = (2.00)(1 + R) = 2.00 + 2.00R \), or \( (198/2.00) \) which is 9900 percent.

The profit motive has provided greater incentives for many universities to deliver online education. But the misuse of this type of education will reduce the quality of education, as these online courses are taught by faculty members who are not of high quality. Low quality education will not help the country to be globally competitive, because low quality education creates low quality graduates who cannot be useful for capitalist firms. The opposite is true if universities employ high quality faculty to teach these online courses. In either case, the online education will increase profitability and reduce faculty salaries. This is because the more faculty members that are available to teach online courses, the more the supply of faculty in that market; and hence, the lower faculty salaries if the demand for university instructors is fixed.

The fascinating conclusion can be stated as follows. The rate of tuition has been increasing over the years, and if faculty salaries are not increasing significantly, then this situation is usually associated with higher profitability and salaries for university administrators. If we forget the national data and consider a specific college or a university, the conclusion is very clear. Tuition rates have been increasing by more than 300 percent over the last 10 years. A faculty had started working at $40,000 in 1990 and the university president had a salary of $90,000. That is, the ratio is 225 percent. After fifteen years, the faculty’s salary may be $90,000 but the university president is 400,000. That is, the ratio is 444.44 percent, ignoring other elements associated with the university president’s salary.

5. The Equity Model

Some universities try to show that they do not aim at reducing faculty’s salaries; rather, they intend to raise salaries of some faculty member by developing equity models. This is indeed a noble strategy demonstrating fairness for those faculty members. UIS has developed an equity model for that purpose, and it seems appropriate to analyze this model to show whether it really achieves its goal.

For simplicity, the estimated regression equation of the UIS equity model was stated as

\[
\text{Predicted Salary} = 43,905 + 396 \times (\text{Years in Rank}) + 4,281 \times (\text{ASSOC}) + 15,067 \times (\text{FULL}) + 37,436 \times (\text{GROUP A}) - 10,471 \times (\text{GROUP B}) + 30,156 \times (\text{GROUP C}) + 12,792 \times (\text{GROUP D}) + 2,882 \times (\text{GROUP E}) + 688 \times (\text{GROUP F}) + 8,377 \times (\text{GROUP G}) \]

Adjusted \( R^2 = 0.849 \)

This regression model has several significant problems. The \textit{t-ratio} of two the independent variables Group E and group F are not statistically significant, because their \textit{t}-values are 1.4 and 0.4, respectively. That is to say, the regression model cannot explain the salary variable for these two groups. Similarly, the adjusted \( R^2 \) is about 0.85 percent, which means that the regression model explains 85 percent of the variation in the salary, or the dependent variables. Thus, 15 percent of the variation was not explained, suggesting that there were some independent
variables that were very important in explaining the dependent variables but were not included in the regression model. These variables are related to productivity which is explained below.

Some independent (explanatory) variables reflecting productivity of faculty members such as publications, number of papers presented in various conferences, number of different courses taught, and the numbers of preparations were not included in the model. So, two different faculty in terms of productivity over 15 years in the rank will have to receive the same equity. In other words, productive and unproductive faculty members are treated equally.

The report stated that an independent variable reflecting ethnicity (Race and Gender) was included in the model. Yet, the estimated regression equation did not include the ethnicity variable. That is to say, the model tries to explain the salary as if the entire faculty members had the same ethnicity. This is not consistent with the faculty members employed by UIS, because there were some members who were white but were not of European origin. There were some African American faculty members as well. Hence, the model should have included dummy variables reflecting these differences. The university model stated (on p.17), “gender or racial biases are not a problem on average.” And yet, the model concluded that most of the recipients of the equity were female faculty members.

In addition, there was another regression model that included gender and race (on p. 16) had three independent variables (Group E, Group F, and Gender) that were statistically insignificant. Hence, useful conclusions could not be drawn from such a model. Moreover, the regression model states (on p. 15), “White and Asians had lower salaries by over $6800” than ‘African Americans.’ This conclusion was unrealistic, because the entire university has about 5 African American faculty members, suggesting that the sample was too small to generate such a conclusion.

The regression model (on page 18) suffered from other problems. The model for Business faculty shows that the independent variable **Years In Rank** has a negative coefficient of (-385.22). Although this variable is not significant, it does indicate, as used by the authors of the report, that the more number of years a faculty member works for the College of Business and Management (CB&M), the lower their salary should be. And yet, several business faculty did receive equities predicted by these models. Moreover, the independent variables (Race), ASSOCIATE, FULL, and GROUP were all statistically insignificant. The adjusted $R^2$ was 0.442, indicating that the model explained (44) percent of the variation in the predicted salary, which was very low. Hence, this model was fundamentally weak and could not be used for predicting salary. Nor could it be used to assert that female faculty members were receiving $14,793 (or $15,000 [see p. 16]) lower than male faculty.

Economics faculty members were grouped with Group D: MPH (Public Health) and PAD (Public Administration) departments which were located in the College of Public Affairs and Administration (CPA&A). But the department of Economics has been part of the CB&M, or Group C. Faculty’s intellectual contributions were grouped with the CB&M for the purposes of the accreditation and services, and they taught several economic courses that were required by the CB&M. Therefore, it was absurd to group these faculty members with other departments in a different college such as the PAD and MPH. The report provided no rationality for such
grouping, but the motive was clear, because they would have received a reasonable amount of equity. In fact, if the economic faculty were grouped with Group C, the predicted salary according to the equity model for the an associated professor of economics would have been at least

$$\text{Predicted Salary} = $43,905 + $396 (15 \text{ Years}) + 4281 (1) + $30,156 (1) = $84,282.$$ 

According to the equity model, several faculty members at the CB&M were eligible for equity. Most of those faculty received salaries above the market rate for similar AACSB institutions. Thus, the equity model had created more inequity at the CB&M level, because it did not provide equity to the underpaid productive faculty. Moreover, the total funds allocated for this equity were not really large enough for lifting the salaries of the underpaid faculty to an equitable level. Indeed, the model was a reasonable tool for creating loyalty (or academic cronism) to the administration to pursue the basic objective of cutting salaries of faculty in the long run.

Additional information can be provided for evaluating the equity model at UIS. It is understood that UIS is a public university, and this characteristic makes the funds the university receives public. Therefore, these funds should not be wasted and must be distributed efficiently on transparent criteria. Having stated this simple proposition, I strongly believe that the administration had squandered part of these funds for their equity model. The model did not distribute equity according to the three primary university criteria of teaching, scholarship, and service. In fact, the distribution was totally based on value judgment and on dictatorial power. This is the rationality for this proposition.

Using the estimated regression model, for an associate professor in the Department of Business Administration (or Group C) with 10 years in the rank, the predicted salary was

$$\text{Predicted Salary} = $43,905 + $396 (10 \text{ Years}) + 4281 (1) + $30,156 (1) = $82,302.00$$

The equity was 90 percent of the difference between the predicted and the actual salary. If the actual salary was $75,000, the equity was 0.90 ($82,302.00 – 75,000) = $6,571.8. The same result was obtained if the faculty member is from the Department of Management or Accountancy. That is, there was no difference in the discipline, but the difference was in the group which contained several disciplines.

The UIS administration claims that scholarship is a very important standard. It is actually one of three standards used to evaluate faculty’s performance. But the equity model used by the administration to provide equity to some faculty did not take scholarship into consideration. For example, let us assume there is a faculty member in the Department of Business Administration who has published scholarly articles in the best journals in the world in the fields of finance, marketing, and insurance over 10 years in the rank as an associate professor, and had received several Summer Competitive Scholarship Awards. Let’s assume there is another faculty member in the same department with the same rank who has published nothing over 10 years. Assume this faculty has been evaluated as Does Not Meet Expectations (or non-meritorious) every year. Now, if you want to determine the predicted salary for each faculty, then you input the number of years in the rank (or 10) in the above model, and use the information from the equation, the
model will predict that both faculty members will have same salary: $82,302.00. In addition, if the worst faculty member has an actual salary of $65,000.00, then the equity will be 0.90 (82,302 – 65,000), which is $15,371.8. That is, the worst faculty member according to this model will be rewarded with a higher equity than the best faculty.

Similarly, let us use the same example for the two faculty members. Say that one of them is better than the other in teaching and service. Assume that the first faculty is the best teacher and server over 10 years and received several services and teaching awards and the second one is the worst teacher and served over the same period. Given this information, the equity model will provide no difference in the predicted salaries for these two faculty members. As indicated, the second faculty may still receive a higher equity than the first one in case of non-meritorious decisions.

This is really outrageous. No university can adopt such a model for determining equity for faculty. This model does not distinguish between faculty members according to their scholarship, teaching, and service. These criteria reflect faculty’s productivity, and any form of payments must be established according to productivity. However, value judgment becomes the criterion rather than the normal standards. By using value judgment, one can discriminate against individuals and hence low-credential faculty members are rewarded better than high-credential faculty.

6. Summary and Conclusions

Business profits in the American economy have been associated with the squeeze of labor income, or wages, which is the cost for the business economy but an income for the working people. A reduction of wages reduces business cost and decreases income and spending of the working people. Hence, the cut in domestic wages has been associated with the search for global opportunities.

Similarly, the aim at reducing faculty salaries, or the warfare against faculty members, by various policies such as global campuses and PQFS will increase the profitability of public higher education, assuming other elements of cost are fixed. Profits are useful for expanding colleges and universities and for enhancing the use of modern equipment and technologies. Profits are useful if they are used to finance research and development which are important forces for innovations and consequently for prosperity of the country. But these goals will not be achieved by cutting salaries of faculty. In fact, a trend for cutting salaries of faculty members is a path toward redistributing of income toward administrative positions and high salaries for CEOs. Administrators cannot provide high quality of public education for enhancing the competitive position of the United States of America in the global economy. Administrators must have efficient and productive faculty members in order to offer useful education. Equity models are not really useful for increasing salaries of tenured faculty, because these models are subjective, giving the impression that they are designed to support unproductive faculty members.

The calamity of this administrative warfare becomes more severe when salaries of faculty will be cut and tuition rates will rise. This will also squeeze students and disturb their future, particularly when it is associated with lower salaries and wages in the national economy. This will put more pressure on many men and women not to attend colleges and universities. This result can be
reinforced when the AACSB recommends that practical knowledge is very useful, and consequently the PQFs will be used to reduce salaries of faculty. Moreover, using the PQFs will deteriorate the quality of education, creating more disturbances and problems for future graduate students, particularly when they cannot find employment.

The basic conclusion of this paper is that administrators should encourage academic faculty and accommodate their research and scholarship and try to raise their salaries to stimulate more people to go to graduate schools. Fruitful and solid education has to be associated with productive and modern curriculum that will make below the average students skillful and employable by businesses and government institutions after they graduate. When they work for these employers, they will learn more skills and useful practical knowledge that will complement their academic knowledge. That is to say, public colleges and universities have to improve the quality of public higher education, have to recruit more students, have to cut wasteful spending and practices, and have to reduce tuition rates in order to attract more students from poor and middle class families. More recruited students associated with lower tuition rates will increase profitability in public higher education and make it more competitive globally.

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ECommerce in the Age of MySpace.com:
Threats & Opportunities

Tom S. Chan, Southern NH University

Abstract
Social networking has become one of the most popular applications on the Internet since the burst of the dot-com bubble. MySpace surpasses even the mighty Google in page hits in 2006. Apart from being a haven for teenagers and online marketers, some social networking sites are now targeting the business community. The trend makes viable new business models that are semi-private and by subscription only. New ecommerce opportunities aside, the popularity of these sites has greatly heightened the threats of criminal elements, such as predators, hackers and copyright violators lurking in them.
ECommerce in the Age of MySpace.com: Threats & Opportunities

Tom S. Chan, Southern NH University

Introduction
A social networking site is a category of websites with profiles and semi-persistent public commentary forming a traversable articulated social network. A profile contains identifiable information about the participant, age, gender, interests for example. Profiles have unique URLs that can be visited directly. Participants can leave comments or other information for everyone to see. These comments are semi-persistent because comments may disappear over a period of time or upon removal. Participants have the ability to list other profiles as "friends", link to friend’s profiles, and see comments left by others. This generates a social network where each node contains a link to the profile of other people so that individuals can traverse the network through friends of friends.

Social networking sites bring people together in a central location forming a virtual community to talk, gossip, exchange ideas, share interests and making new friends. The sites provide tools for posting messages, sharing photos and creating personal pages known as profiles. The Internet is made of people, and people are social by nature. MySpace, a social networking site, launched only four years ago is now one of the world's most popular, embraced mostly by teenagers and young adults who find it irresistible. In U.S., it ranks second only to Yahoo in page views, and drew almost 5% of all site visits in the month of March 2006, ahead even of Google, which drew only a little over 4%. Furthermore, one in every twenty Internet visits went to one of the top twenty social network sites in September 2006 (Hitwise, 2006).

Social Networking and New Opportunities
Social networking has become one of the most popular applications on the Internet since the burst the dot-com bubble. By serving the needs of a specific population, social networking sites enable advertisers to reach niche audiences. But looking beyond banner ads and page hits, online marketers see social networks as free focus groups and social networking sites as treasure troves of consumer data. Big players such as Google are starting to add social networking applications on top of existing features, for example, utilizing existing buddy lists and connecting them to profiles. Popular social networking sites such as MySpace are also creating its own ecosystem. It is populated with small businesses that do everything from helping users decorate their profiles to creating tools that let advertisers target site members (Rosmarin, 2006).

While young people propel MySpace to become the most popular website in the Internet, there is now a social networking site for practically every niche. Some are by invitation only, and some are even for very pragmatic and practical purposes. Fueled by a stagnant job market, online business networking is generating serious attentions. A business professional joins a site by creating a personal profile, then e-mail friends and associates inviting them to set up their own profiles. Each person who accepts the invitation
becomes a member of the personal network. As other members solicit their own friends and colleagues to join, the person’s network grows exponentially. These sites provide the benefit of an inherent filtering system and personal privacy is somewhat protected as network memberships are by invitation only (Kandra, 2003).

**Sexual Predators & Identification Management**

The phenomenal popularity of social network sites has greatly heightened the concerns over sexual predators and scam artists lurking in them. Parents, educators and police have become increasingly worried that teens are finding troubles at social networking sites. MySpace has gotten the brunt of the complaints given its leading position with 20% of users under 18. In June 2006, a 14-year-old girl alleges she was sexually assaulted by a 19-year-old user of MySpace. The girl’s mother sued MySpace seeking $30 million in damages. The lawsuit, filed in a Texas state court, claimed the 19-year-old lied about being a senior in high school in order to gain the girl’s trust (KAUZ, 2006).

Self-reported identity is always problematic, and reliable identity verification requires expenditures and restricts access leads to a smaller base of users. Sites can require a credit card as a way to authenticate user, but credit verification does incur additional cost, besides not everyone has a credit card. More robust techniques can check user self provided addresses, birth dates and other information against public or commercial databases. However, minors do not possess as many unique identifiers as adults do; even if they do, their records are guarded fiercely by states and schools for privacy and security reasons. Social networking sites can restrict access only to those with a valid e-mail address from a school, college or participating company, or require parents to submit identity to vouch for their children. Creating a safe virtual community has its costs and appeals. Managing a limited population and keep them all safe, instead of looking for a million unique visitors can be a viable business model.

**Hackers & New Risks in Web 2.0**

Identification issue asides, security experts worry that the massive amount of user-generated content in social networking sites is forming a fertile ground for outbreaks, making such sites more a security risk than e-mails for virus propagation. MySpace was forced to shut down hundreds of user profiles after a combination worm and phishing attack that compromises visitor’s "About me" page (Kawamoto, 2006). The security bleach is not the first incident. Last fall, MySpace was hit by the Samy worm, which is the first to exploit a cross-site scripting (XSS) vulnerability (Mook, 2005). The attacks also highlight the opportunity for a self-propagating worm to take advantage of the XSS technologies. The malicious code could inject itself into sites with the aim of being parsed and executed by browsers or e-mail clients.

XSS is a type of second generation Internet-based software coined as Web 2.0 (O’Reilly, 2005). Web 2.0 platforms emphasize online collaboration and sharing among users. They stretch the boundaries and abilities of websites. In the rush to add features, security often becomes an afterthought. The key to security is developer’s awareness, training and practices. Like all software development, developers should always address security first and build products with the user's best interests in mind. Furthermore, deploying fixes
should be easier in web applications and user actions are typically not required. Although social networking site users can protect themselves to some extent using PC security software, such applications are mostly effective only after an attack has surfaced as they are typically signature based.

**DMCA in the Age of MySpace**

New development in Internet technology frequently poses new challenges on copyright protection issue. It is difficult to determine what new business models can best deliver products and services to consumers securely, conveniently and legally. Universal Music Group filed a copyright infringement lawsuit against MySpace recently, charging that much of MySpace’s content is ‘user-stolen’ intellectual property of others, and MySpace is a willing partner in that theft. It alleges MySpace Videos being a vast virtual warehouse for pirated copies of music videos and songs (Leed, 2006). Some would even argue the current copyright laws, such as DMCA, are becoming obsolete as its provisions never addressed rampant file-sharing taking place across social networking sites.

Few would argue against the right of copyright holders to control how their content is distributed and be fairly compensated. Social networking sites put the user at the center of the digital universe, but those who wish to consume and share digital media are hamstrung by a pre-digital age copyright law and business model. Content owners need to come up with a digital age business model discouraging piracy without alienating consumers. Social networking sites and media companies clearly stand to benefit by working together with consumer groups and the government. Perhaps, a reexamination of the DMCA is indeed in order (McCullagh, 2006).

**Conclusion**

While social networking site provides huge business opportunity and new ecommerce model, it is not without problem. Safety experts warn that creating too many barriers could drive kids to another social-networking site with fewer controls, or perhaps free-for-all chat rooms. However, ineffective solutions could also give users a false sense of security ending up increase the dangers. Technology alone would not be the solution, but it could be very helpful in resolving the dilemma. Perhaps some sort of V-chip technology can be devised just as when violence on television was the issue of the day. Other promising technology may involve blog patrol armed with artificial intelligence that scan and approve every word that is posted. In the end, education is the only way that teaches users to be more technical literate and proactive, which will stay forever even when social networking is replaced by the next big fad.

**Reference**

The Company without Real Owners

Bruce L. McManis, Ph.D.
Department of Finance and Economics
College of Business
Nicholls State University
Thibodaux, LA 70301

Bruce.McManis@nicholls.edu
985-448-4188

Abstract
It has long been thought that stockholders are ultimately in control of corporations. Through their right to vote for the board of directors they determine who will represent them in making strategic decisions. At various times concerns have been raised about the effectiveness of this process to actually serve as a check on the self-serving power of management. This paper examines a potential impact of the growing complexity of business organizations and reaches some conclusions that are rather disturbing relative to corporate governance.
The Company without Real Owners

Abstract

It has long been thought that stockholders are ultimately in control of corporations. Through their right to vote for the board of directors they determine who will represent them in making strategic decisions. At various times concerns have been raised about the effectiveness of this process to actually serve as a check on the self-serving power of management. This paper examines a potential impact of the growing complexity of business organizations and reaches some conclusions that are rather disturbing relative to corporate governance.

Introduction

In the old days one or a small group of individually would get together and form a business. They paid close attention to it and made sure that the people they hired were in fact making decisions that were in the owners’ best interest. As time passed the owners of many businesses became less and less involved in the affairs of the business and left it to a board of directors to be the watchdog. In the 1980’s many firms implemented extensive anti-takeover programs including staggered boards and poison pills. A side effect of these actions was to make it less possible for legitimate stockholders to remove managers that were self-serving.

At the same time firms began to break up there operational units into separate legal organizations to protect the overall corporation from liability claims. By forming wholly owned subsidiaries and joint ventures firms were able to undertake very risky activities without endangering the parent company. Today many of the firms that we think of as one company are in reality 20 or 30 legally separate organizations owned by a parent company.

With boards that are insulated from the shareholders and organizational structures that are deliberately complex enough to insulate risk, could a firm’s subsidiaries buy the parent company? Could they buy a controlling interest in a manner that would not be apparent to the remaining shareholders?

This paper lays out an argument that such an arrangement could happen and not raise any of the red flags that public shareholders rely on to detect misdeeds by management.

The Basics

The logic of the process can be seen through the use of a simple example. Suppose there is corporation “A”. It creates two subsidiary corporations “B” and “C” which are each wholly owned by “A”. “B” buys 50% of the outstanding shares of “A”. “C” also buys 50% of the outstanding shares of “A”.

If you look at each company individually there is nothing wrong with the situation. A company being owned by other companies is a common practice. Look at the corporate structure of any major oil company and you will see large numbers of subsidiaries.
What happens if Company A was audited? Certainly consolidation would occur since B and C are 100% owned. The structure would most certainly collapse. What if anything in GAAP would be violated? What would the audit opinion look like?

From a legal standpoint are any laws being violated? This would be a case where we are not dealing with a publicly traded firm so the SEC and federal securities laws would not be applicable.

More Complex Case

The above case would be very obvious a lender or anyone else that looked at the companies. So let’s consider a situation that is more complex (see Figure 1).

Figure 1

![Diagram]

Several rows later you have 500 firms on the row. (Each firm numbered from 1 to 500)

Starting again with corporation “A” we create corporations B through E as wholly owned subsidiaries. B through E in turn form joint ventures H, J, & L each owned equally (50%/50%) by B/C, C/D, and D/E respectively. Each also own one or more subsidiaries (F, G, I, K, M, & N). This process is continued until you reach a point where the 500 on the bottom row are joint ventures of joint ventures of joint ventures each with as many as 50 owner firms that are all part of the system created by A. Finally A is owned by 300 of the 500 firms on the bottom row with no one firm owning more that 1% of the outstanding stock of A.

Each company in the structure has a normal looking balance sheet and through joint venturing and spreading of ownership across multiple parents the ownership levels as you go down the system drop below the level where consolidation would occur. In fact the ownership gets split up so much that even the equity method of recording isn’t applicable.

What would happen if Company A is audited? Initially there would be some consolidation and equity method recording happening as the auditors moved down the layers but eventually ownership percentages drop to levels that the respective subsidiary ownerships are recorded as investments.
Would excessive retentions trigger an IRS complaint? My understanding is that the only time that rule is brought into play is if the IRS thinks the retentions exist only to avoid tax payment. If you look at Intel they have averaged over $30 Billion in retained earning for the last 5 years and held an average of 30% of their total assets in cash! If that isn’t excessive I don’t know what is. If the example company continued to expand so that the retained earnings were always being put to productive use I don’t see it violating the rule.

With 300 distinct owners, Company A could be publicly traded so SEC rules and federal securities laws would be applicable. I don’t see any that would be violated, but I am not an expert on all of them.

Some might argue that this is an exercise in mental masturbation – I don’t think it is (at least not entirely).

If you were to take the corporate structure of any major oil company of today back to the business leaders of 100 years ago they would have told you that there is no way that such a company could ever exist. Yet it does.

Our liability, bankruptcy, and tax laws all favor breaking big companies up into small pieces so that if one gets in a bind it does not drag the rest of the company down with it.

If Wal-Mart were to follow the lead of the towing companies of South LA each store would be a separate corporation. With over 6000 stores at present that would be 6000 subsidiaries! What would you get if rather than making them all direct subsidiaries of the parent company they made 50 of them Tier 1 stores owned by the parent; then made 500 more of them Tier 2 stores that are owned in various combinations (joint ventures with varying ownership participants and percentages) by the Tier 1 stores and the Parent; then 2000 more Tier 3 owned by various Tier 1, Tier 2, and Parent participation; etc? Sounds a lot like what was described above.

Aside from liability, bankruptcy, and tax law considerations why would anyone want to do something like that?

Think Enron! Much of what got them to look so good and crash so hard was self-dealing with off balance sheet joint ventures that they controlled. (Sounds like what we are talking about here). Have the changes in the laws actually made it impossible for it to happen again? I don’t think they have.

Management Wealth Maximization – We always talk about Shareholder Wealth Maximization but that goes out the window in this situation because there are no real shareholders. This is the whole idea of agency conflicts taken to the extreme.

Hostile takeovers – SEC rules require that anyone acquiring or holding over 5% of the outstanding shares of a company disclose their intentions regarding control. Although the stated intent of this rule is alert other shareholders that their firm is the target of a takeover attempt, the real implication is that existing management is alerted and can take defensive actions. What if the 500 numbered firms in our complex example began each buying modest amounts of the
target firm’s stock in the open market? Although no one of them ever holds more than ½ of 1% of the outstanding shares at some point collectively they have acquired a controlling interest. If they work together they replace the management of the target firm and it becomes a de-facto subsidiary. Any remaining shareholders of the target firm then are at the mercy of a firm that is being run for the benefit of its management without any knowledge of what happened.

What if we are talking about a bank instead of a manufacturing or retail concern? As laws have been relaxed and financial holding companies have been allowed to reach into banking, insurance, and securities from coast to coast and in foreign countries. Citibank requires an 11” by 17” sheet with small print to layout its subsidiaries. What could such an organization do in terms of altering the flow of credit?

If you say it can’t be done – Add LLC’s and LLP’s into the mix to get away from anything that is strictly in corporate law. Add multiple state and foreign country company formation. Still not possible for it to happen?

Is it already out there and we just can’t see it?
Improving the Process of Learning in An Introductory Management Class

by

**Ben A. Maguad, Ph.D.**
Associate Professor of Management
Marketing, Management, & Information Systems
School of Business
Andrews University
Berrien Springs, MI 49104-0022
Phone: (269) 471-3103
Fax: (269) 471-6158
E-mail: maguad@andrews.edu

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IMPROVING THE PROCESS OF LEARNING IN AN INTRODUCTORY MANAGEMENT CLASS

Ben A. Maguad
Andrews University

ABSTRACT

This paper describes how the continuous improvement approach was used to improve the process of learning in an introductory management course. The data-driven plan-do-check-act cycle provides a constructive process through which students can be significantly involved in the teaching and learning improvement process.

INTRODUCTION

Imai (1986) once wrote that quality, in its broadest sense, is anything that can be improved. It is associated not only with products and services provided but also with the way people work, the way machines are operated, and the way systems and procedures are dealt with. In fact the Japanese equivalent for quality improvement is “kaizen” which means ongoing improvement involving both supervisors and workers. Not a day should go by without some kind of improvement being made somewhere in the organization. Kaizen is a process-oriented way of thinking which requires a management system that supports and acknowledges people’s process-oriented efforts for improvement. Deming advocates that the organization should improve constantly and forever its system of production and service so as to improve quality and productivity and decrease cost (Foster, 2007). Its leadership should accept the obligation to constantly improve its product or service through innovation, research, education, and continual improvement of all facets of the organization (Summers, 2000).

CONTINUOUS IMPROVEMENT AND INNOVATION

The focus of continuous improvement is on understanding, analyzing and continually improving organizational processes, capabilities, and procedures to meet or exceed customer expectations (ReVelle, 2004). Consistently meeting or exceeding these expectations requires an enabled and empowered workforce working collaboratively to improve organizational processes. This inevitably leads to fewer defects, reduced variation, lower costs, shorter cycle times, and improved productivity. Continuous improvement is a process since it represents a continuous commitment to improvement – a journey, not a destination (Summers, 2000).

The process of continuous improvement is accomplished by small, positive, incremental changes implemented in the organization over a long period of time (Richardson & Lane, 1997). It is about improving systems and not locating or placing blame on anyone in the organization. The application of the principles of continuous improvement takes commitment, effort and time. The results do not come easy. It can only take place
when everyone concerned with the process works together to ensure that quality improvement takes place.

Continuous improvement is not to be confused with corrective action. A corrective action is performed so as to move the system toward where it should be as a minimum expectation (Peterson & Reid, 2002). The goal of corrective action is to eliminate special causes of nonconformities or defects so that the process will reach stability. Special causes are those sources of variation which make the learning process erratic and unpredictable. Some examples of special causes in education are: hiring of unqualified, incompetent or untrained personnel; admission of students who are unprepared for college work; malfunctioning equipment; or very warm or very cold classroom temperatures; among others. Stability is considered to be the baseline expectation of any customer. It is not to be equated with improvement. To improve each part of the system, it first must have a stable process.

Griffin (2006, p. 230) defines innovation as “the managed effort of an organization to develop new products or services or new uses for existing products or services”. It can be “something newly introduced: a new method, custom, or device, or perhaps a change in the way of doing things” (Peterson & Reid, 2002, p. 156). It is the “process of taking a creative idea and turning it into a useful product, service, or work method” (Robbins & Coulter, 2002, p. 354). Innovation is generally considered to be on the opposite end of the continuum from corrective action. An innovative organization is typically characterized by its ability to channel creativity into useful outcomes. Creativity is the ability to combine ideas in a unique way or to make unusual associations between them.

Innovations can take on different forms. They can be radical or incremental, they can be technical or managerial, and they can involve products or services (Griffin, 2006). Radical innovations are new products, services, or technologies that completely replace the existing products, services, or technologies in a given industry. On the other hand, incremental innovations are considered new products, services, or technologies that modify existing ones. The replacement of overhead projectors with video projectors would be considered a radical innovation. Using a new version of Microsoft PowerPoint for slide presentation would be considered incremental innovation.

Technical innovations refer to changes in the physical appearance or performance of a product or service, or in the physical processes through which a product or service is manufactured. Managerial innovations, on the other hand, are changes in the management process by which products and services are conceived, built, and delivered to customers. The invention of a microchip which greatly enhanced the power and ease of use of many electronic products like the microcomputer would be considered a technical innovation. On the other hand, the adoption of new management philosophies such as total quality or organization-wide quality control would be considered a managerial innovation.

Product innovations are changes in the physical characteristics or performance of existing products or services or the creation of new products or services. The increase in the performance of a laptop computer would be a good example of a product innovation. Process innovations are changes in the way a product or service is manufactured, created, or distributed. Enabling students to register for their courses on-line would be a good example of process innovation.

The frequent assumption, when comparing innovation and continuous improvement, is that the former is discontinuous and large scale while the latter is continuous and
small scale. However, it can be argued that there is no logical basis to associate the term innovation with just large scale discontinuous change (Cole, 2003). On the other hand, it can also be argued that there is nothing about continuous improvement that precludes large improvements (Foster, 2007). In the strictest sense, innovation can be associated with both small and large-scale creative solutions which can be more or less discontinuous. There is good reason to think that a lot of innovation can occur in the course of continuous improvement. Conversely, for large scale discontinuous innovation to be successful there has to be a great deal of continuous improvement surrounding it. The optimum level of improvement activities probably involves some mix of continuous improvement and innovation (Foster, 2007).

CONTINUOUS IMPROVEMENT IN THE CLASSROOM

The basis for learning in the classroom is constant improvement where instructors and students always seek ways to improve the system to enhance the fun of learning. The teacher approaches each classroom with the belief that each student comes with the desire to learn, that each one can learn far more than previously thought (Byrnes, Cornesky & Byrnes, 1994). To truly have fun in the classroom, quality must be part of the classroom culture. The main task of the teacher is to work on and improve the classroom system with the help of students. He openly seeks and accepts student input to resolve classroom problems.

The changes implemented in the classroom will take time to bear fruit. Teachers need to remind themselves continuously of that. They also need to take responsibility for problems arising from poor systems and processes within the classroom. The classroom is the best place to start examining processes and systems so that improvements can be made that will enable students to achieve better academic results. This requires courage and persistence on the part of teachers.

Improving processes and systems by the teacher and student will result in trust; trust will result in an increase in quality; an increase in quality will result in an increase in the pride-of-workmanship; and, as a result, a new classroom culture will be established where everyone will expect quality and fun to be the end result (Byrnes, Cornesky & Byrnes, 1994, p. 2).

Continuous improvement involves a process of systematically evaluating the steps that are involved in completing work. This process is usually known in the total quality field as the plan-do-check-act (PDCA) cycle (Aikens, 2006; Sherr & Schwoerer, 1995) which consists of the following steps:

- **Plan.** In the planning stage, the problem statement is formulated and questions pertaining to the problem are generated. The class moves beyond traditional measures of progress (e.g. examinations, end-of course evaluations) to a much more active and ongoing process of data gathering and interpretation. Data is collected to understand the process to be improved and to identify changes that need to be made.
• **Do.** The doing stage is typically concerned with implementing the plan developed in the planning stage. In this step, a solution or a combination of solutions are tried out based on the data collected and the conditions set for implementation.

• **Check.** This is the stage where data that are relevant to outcomes are analyzed and evaluated. The learning that takes place will provide a basis for action which may lead to a revision or adjustment of the learning process.

• **Act.** At this stage, an effective solution is implemented wherever such is needed. This can involve “piloting a new method, implementing new controls, solving the stated problem, or simply recognizing that the team was trying to answer the wrong set of questions or the set was incomplete” (Aikens, 2006, p. 181). Where no effective solution is found, the process goes back to the Plan stage and the cycle continues. Repeated cycling through the four steps described above contributes to continuous improvement in the classroom.

The goal of continuous improvement activities is to improve the learning process for students. Thus it is important for the educational institution to understand how students fit into the quality improvement model and what role they play in the continuous improvement process. Within the academic environment, students assume different roles which make them unique. Each of these roles brings valuable perspective to improving the learning process.

• **Raw material.** This view underscores the importance of understanding students’ backgrounds, attitudes, and differences in their academic preparation. It helps us to be more understanding of students and to be more sensitive to the differences in their preparation for the higher learning process.

• **Work-in-process.** After students are admitted, they go through a sequence of courses required for their degree. This view looks at the evaluation and grading activities that take place during the duration of each course and the entire academic program.

• **Co-laborers.** Students are allowed to become active participants or partners in the learning process (Ruhl-Smith, 1997). This view helps us to view the course as a collaborative undertaking. “Instead of being passive receptacles of words and ideas, they listen, they hear, and most importantly, they receive and they respond in an active, productive way” (Fromm, 1976, p. 77).

• **Products.** This view focuses on the end result of the students’ educational process and identifies the relevant skills and information that they will have upon completing their course of study. It aids instructors to match course content and activity with the desired educational outcomes.

• **Customers.** This view sees students as customers with needs that should be satisfied. It points us to the importance of taking into account student input when designing and redesigning course requirements and processes. It does not imply, however, that they
are the ultimate arbiters of quality when it comes to structuring course content. Nevertheless, students may be well qualified to evaluate the quality of the educational delivery system.

Each of the above perspectives and the PDCA approach have been useful in improving the learning process in the undergraduate management class that the author taught. Significant changes have been introduced to the course over time in terms of adjustments that have been made every semester to enhance the process of student learning.

**STABILIZING THE LEARNING PROCESS**

Before improvement activities can be undertaken, the classroom learning processes must first be stabilized. That means that anything that makes the process erratic or unpredictable must be first identified and removed, remedied, or resolved. The stabilization of the process in the management course was accomplished mainly by preparing a comprehensive syllabus that provided a detailed structure for teaching the class for an entire semester. For example, the syllabus spelled out clearly the course description and objectives, the textbook requirement, the course requirements and procedures, the grading and evaluation system, the tentative class schedule, and other requirements. Some of the special causes of variation were outside the control of the instructor and can only be removed, corrected, remedied, or resolved by the administration. The reader is advised to review the section “Improving the Management Course as a System” for further discussion of this topic.

Close attention was also paid to the preparation required to teach the course and to the actual teaching of the course. The preparatory work and the actual teaching of the class are part of a continual process of learning which depends on a number of important factors (Sherr & Schwoerer, 1995). First of all, it is important that the course instructor knows the teaching material very well and continuously engages in research and service activities that help maintain knowledge in his field of expertise. It helps to get the instructor enthused in his subject area which he then can share with students in his class. Also, it is important for the instructor to make an attempt to know his students in terms of their backgrounds, their attitudes, and their preparation for the class in ways that are most helpful in facilitating their learning. This is where understanding students as raw materials becomes relevant. Moreover, course objectives need to be made clear in terms of skills and knowledge that students will acquire over the course of the semester in line with their roles as products of the process. These objectives are stated in the course outline or the syllabus. The syllabus becomes an instrument through which a concrete or specific plan is developed to provide the link between the course objectives and materials and the students. The plan is acted on by preparing for and actually teaching the class. As much as possible, the instructor needs to pay individual attention to students in order to ensure that learning actually takes place.

**IMPROVING THE INTRODUCTORY MANAGEMENT COURSE**

In teaching the undergraduate management course, the instructor found the different perspectives of students (raw material, work-in-process, co-laborer, product, and cus-
tomer) very useful. By applying the PDCA cycle to the process of teaching and learning every time the course is taught by the instructor, the class has been able to achieve significant improvements over the course of several years in terms of course content and delivery. These improvements were validated by the results of student evaluation of course and teacher performance which have improved dramatically from a relatively low rating (below 3 on a scale of 1 to 5) when the class was first taught by the instructor to a relatively high rating (above 4 on a scale of 1 to 5) when the class was more recently taught by the same instructor. A number of the changes implemented in the class are documented below.

**Classroom Technology**

Improvements in classroom technology are important because they have a significant bearing on learning and motivation. However, any technological change should be based on student need and technology availability. Originally, class lectures and discussions were supported by the use of a blackboard, an overhead projector, and TV/VCR equipment. As technology became feasible, computer technology (e.g. laptop computer, video projector, DVD) was used. The video projector and PowerPoint slides allowed the instructor to make changes and adjustments to the presentation materials. The instructor also used a course management system like WebCT which was later replaced by D2L (Desire to Learn) to deliver content materials to students online and to provide links to articles and news found in other websites. These links can be accessed both outside the classroom (via dial-up or wireless Internet access) and inside the classroom (via wireless Internet access). Besides providing links to other relevant websites, the D2L course management system also allowed for online quizzing and uploading of content materials like the course syllabus, PowerPoint slides, review sheets, and other materials related to various topics covered in class. Changes made to classroom technology were very helpful in managing class time effectively. The posting of PowerPoint slides and other content materials onto D2L reduced in-class note taking and allowed more time for class discussion and interaction. Furthermore, the web links accessed via D2L allowed learning outside the classroom by encouraging students to review useful class-related materials posted in other websites.

**Classroom Instruction**

Classroom instruction provided the means through which the instructor communicated to students the importance of the subject matter. Students benefited from the time allocated in class to interact with their colleagues, to hone their presentation skills, to share and discuss ideas, and to learn new things. Class meetings were also used for lectures, for testing, for project presentations, and for reminding students of upcoming assignments, quizzes, and other activities.

The class served as a focal point to establish rapport between instructor and students. The students appreciated the instructor’s effort to know each student by name early on during the semester. They also appreciated the fact that he was excited about the class and was willing to work with each one of them on various issues pertaining to the course. Having high enthusiasm and a good sense of humor were found to be vital in fostering a vibrant classroom atmosphere.
Changes to classroom instruction were driven by data and technological development. The instructor took into account input from students and other professional sources with respect to the delivery of instruction. Student input was obtained from student evaluations and from quality improvement bonus projects which were usually submitted at the end of the semester.

**Student Feedback**

When instructors learn to listen to student comments, criticisms, and suggestions about their courses, they get a real understanding of their classroom processes. Taking feedback from students and acting on it conveys a message that feedback matters. It communicates to students that they are being perceived as customers and that their learning is important. Providing information and receiving feedback affect the motivation of students. This motivation comes from feedback that is rapid, consistent, and of high quality. This kind of feedback effectively demonstrates commitment and caring for students. It facilitates learning by correcting and reinforcing as appropriate.

Feedback from students in the introductory management class was solicited to determine their thoughts about the course design and presentation. Students were encouraged to submit suggestions in class, in the office, and via e-mail during and at the end of the semester. The instructor worked hard to respond to these suggestions in a prompt, consistent, and accurate manner. Answers to student-posed questions were provided in class, via e-mail, or via the course management site (D2L). For example, information about tests, exams, and other things were provided either in class or via D2L. Questions about grades were conveyed in class, in the office (in person or by phone), or via e-mail. For example, progress reports (grades and attendance records) were issued to students at least twice during the course of the semester. Besides these formal reports, students were also able to obtain information about class performance at any point during the semester. This information could be obtained in person from the instructor’s office or via e-mail.

**Assignments**

Class assignments serve as a process through which learning can occur outside the classroom. They are based on student needs and are designed to build and maintain knowledge. They help to reinforce concepts discussed in class. This process views students as co-laborers - that the course is a collaborative undertaking.

The management syllabus gave the students an opportunity to do a variety of assignments ranging from news article reports to movie reviews, chapter summaries, guest presentations, journal article reports, chapter closing case analyses, and research projects. The research project especially underscored the importance of relationships in learning, the value of student collaboration, and the effectiveness of student empowerment. The team structure helped students to take responsibility for their learning and to provide valuable feedback to the instructor. The number and nature of assignments were modified from time to time based on the quality of student outcomes and in line with the other requirements of the course so that they will not be perceived as mere busy work.

**Grading and Evaluation**

The approach to grading and evaluation of students in the introductory management class was based on the assumption that there should be a reasonable balance be-
tween understanding of concepts and the application of these concepts in personal and professional life. The evaluation of student performance was divided into two general categories: 60% conceptual knowledge and 40% application of knowledge. In some years, the ratio was 50/50 depending on materials available. Understanding of concepts was gauged by means of quizzes, tests, and examinations. Application of knowledge was gauged by means of in-class participation, management article reports, applied assignments, and research projects. Students were encouraged to assess the fairness of the techniques employed for grading and evaluation and to suggest ways to improve them. The aim here was to involve students in the improvement process in order to tap new ideas and discover ways to improve existing processes. Many of the improvements done in the class could not have been done by the instructor alone. The approach fostered student responsibility for learning which emerged as a significant by-product of this process.

IMPROVING THE MANAGEMENT COURSE AS A SYSTEM

A system is a set of functions or activities within an organization or unit that work together for the aim of the organization or unit (Evans and Lindsay, 1999; Foster, 2007). The introductory management course is a system which consists of many smaller, interacting subsystems. These subsystems are self-evident simply by looking at the course syllabus. Some examples are the attendance subsystem, assignment subsystem, quiz subsystem, test and examination subsystem, grading and evaluation subsystem, class schedule subsystem, and other subsystems that operate outside the class but also affect the course. The components that make up the delivery of the course must work together if the system is to be effective. It is partly the responsibility of the instructor to optimize the course system by understanding the interrelationships among its components and by collaborating with its many other participants (students, other instructors, staff, and administrators). All who participate in this system can contribute to its improvement and in so doing enhance their joy of participating. Optimizing the course requires internal and external cooperation by all the participants.

We need to look at the course in terms of the forces in the system that affect it (Parker, Brown, & Kaldenberg, 1995). The introductory management class does not operate in a vacuum. Many external factors affect the quality of the process of teaching and learning. For example, teaching loads, class sizes, class times, semester lengths, and equipment configurations are determined by administrators who are also partly responsible for the teaching and learning process. The extent to which students have the appropriate skills to take the management course, which is an upper-level course, are determined by other faculty members who teach prerequisite classes at the lower level. The adequacy of and access to the library business collections are determined by the college/university librarians. The quality of students attending the university is determined to a certain extent by the institution’s student recruitment services. The quality of classroom and laboratory facilities depends in part on the generosity of donors and the availability of funds for equipment purchase. In conclusion, it is therefore important to have a good grasp of the big picture and understand the overall goal of the class, to be aware of the factors that affect it, and to know the effects of administrative decision making and related actions on the quality of the teaching and learning process.
IMPLICATIONS FOR TEACHING IN GENERAL

The process of continuous improvement has implications that go beyond the introductory management course. Its core principles are relevant to the school of business as well as the entire university regardless of subject matter or teaching conditions. A key component of continuous improvement is understanding how student learning occurs and then structuring the elements of the course to support the process. Thus the focus of the course delivery should not be on teacher performance but rather on the process of learning. While the instructor’s skills are still important, they are simply a means to an end. Improving the system of teaching denotes finding a match between the course objectives and the actual evaluation and grading of the course. It also denotes maintaining a balance between mastering conceptual material and applying practical skills in real-life situations or in simulated conditions.

The process of continuous improvement is a journey that has no end. In a single course, it means continual updating and improving of course content and delivery. But it also means improving the process of learning and applying the lessons learned (i.e., best practices) to the entire system of higher education. Continuous improvement involves developing and improving teaching that encourages active learning, responsibility, and excitement in students which translates into productive fun in the class. As stated early in this paper, the data-driven PDCA cycle provides a constructive process through which students can be significantly involved in the teaching and learning improvement process. The process of continuous improvement provides the instructor an incentive to be a catalyst for learning where every effort is made to collect data from the class and from other sources to find ways to make the class better. This shift in perspective on how to improve the introductory management class as a system and applying the lessons learned to the system of teaching as a whole will benefit both current and future students not only in the class but in the entire system of higher education as well.

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Strengthening the Supply Chain between Business and Academe through Course Design Feature Selection

By
Daniel L. Tracy and John E. Knight
Department of Management, Marketing, and Political Science
University of Tennessee at Martin
Martin, TN 38238
dtracy@utm.edu
(731)881-7209

Abstract

As one of the important stakeholders in the academic process, business employers and their preferences should be considered when college instructors select various course design features. Although employers are not the only stakeholders in the academic process, their need for an appropriately skilled supply of potential employees makes them an important customer of that process. This paper examines a large sample of employer-based data regarding their preferences with respect to fourteen controllable course design features. The preferences are examined in light of their relative ranked importance and relative intensity. Additionally, the data is examined in light of potential differences in course design preferences relative to various demographics. The paper summarizes the ranked contributions of different course design features from a supply chain perspective. These findings should assist colleges and professors in designing course parameters from a supplier’s perspective in order to meet business expectations in the human resources supply chain.

Key words: pedagogy, course design, active learning, supply chain, value drivers
Strengthening the Supply Chain between Business and Academe through Course Design Feature Selection

Introduction

Since colleges and businesses are directly linked in the human resource educational/ business supply chain, it is logical that colleges and business would aggressively work together to improve curriculum design and content to insure that graduates are given the appropriate skill sets for success and potential in business employment. New graduates from colleges following this strategy would be in greater demand for placement in desirable jobs, the reputation of the college would be enhanced, and college enrollments would improve in terms of size and/or quality. For businesses, this strategy would create a supply of students better prepared for employment with discipline-specific knowledge/skills for immediate employment, plus transferable skills (presentation, communication, and participation abilities) that enhance and ensure long term employability. This would ensure that new employee productivity will increase both in the short and long run. (Cox and King, 2006)

Supply chain management has been a particular focus for business in recent years. (Abuhilal, Rabadi, and Sousa-Poza, June 2006) This emphasis has especially targeted the supply chain that deals with subcomponent suppliers, shippers, and material providers so that the seamless supply of high quality parts using a JIT sequence will be totally integrated at minimum cost. For example, the heavily integrated nature of engineering departments (as suppliers) and production departments (as customers) includes: daily e-mail interaction; many on-site visits to determine exact needs, to coordinate timing, and to reduce costs; integration of computer systems via EDI for ordering and scheduling; and managerial interaction to ensure customer satisfaction and understanding.

However, far less emphasis has been given to the supply chain as it relates to human resources. A large number of companies make the statement that “people are our most important resource.” If that is true, then suppliers that provide companies with those resources should be very closely linked through an effective, efficient, integrated supply chain. For many companies, the source of managerial, accounting, marketing, and financial talent flows directly from colleges and universities. However, the same close-knit linkages that exist in physical distribution supply chains do not exist in human resources supply chains. Rather, most linkages are informal, advisory, and/or several steps removed from direct contact. In some academic programs, a few of these linkages are developed and implemented, but normally for a small minority of students.

The informal and advisory linkages include such programs as business (or public sector) advisory boards, co-operative student learning experiences, student internships, and general interactive experiences of university personnel with business through consulting and interpersonal relationships. In general, advisory boards are typically composed of business leaders who meet with an administrator on an annual or semiannual basis to discuss how to improve business/college interaction and to discuss business needs and desires as related to curriculum and course content. Cooperative learning experiences tend to be opportunities for students to learn company-specific systems and participate in business processes, but the student then returns to study a series of courses that may or may not relate to the student’s on-the-job experiences.
Family Matters! An Analysis of the Impact of Founding Family Ownership on the HR Practices of Publicly Traded Firms

Raihan Khan  
School of Business  
State University of New York Oswego  
Oswego, NY 13126  
Phone: 315.312.2527  
E-mail: rkh@oswego.edu

Michael Hadani  
College of Management  
Long Island University, C.W. Post Campus  
Brookville, NY 11548  
Phone: 516.299.3307  
E-mail: michael.hadani@liu.edu

Diya Das  
Martin J. Whitman School of Management  
Syracuse University  
Syracuse, NY 13244-2130  
Phone: 315.443.3643  
E-mail: ddas@syr.edu

Abstract
The extant literature on family ownership has shown that family owned firms differ from non-family owned firms in various strategic and financial dimensions. This paper explores the differences in the human resource practices between founding family owned and non-founding family owned firms. In particular, it looks at the impact of founding family ownership on executive compensation strategies and overall employee pensions on a sample of large, publicly traded S&P 500 firms. Results show that founding family ownership is positively associated with the ratio of base to total compensation of top executives, and pension expenses for all employees. It is also negatively associated with total executive compensation and variance in executive pay.
A Definition and Analysis of Student Academic Teams
Lane Sherman
Team Coach, Royal Roads University
Victoria B.C.

Abstract

This article presents a definition of group work and skills that support successful teaming in an academic environment. I will propose a comprehensive approach to team development that will facilitate more effective team dynamics, defined learning outcomes, and higher levels of engagement and accountability to team assignments.

Drawing from current literature on the subject and my years of experience working with academic student teams, aspects of self-direction, project management, learning in teams, and peer evaluation will be explored. This document will discuss the impact of working in teams, the relationship between teaming and learning outcomes, and the challenges associated with teams in an academic environment.

Introduction

Royal Roads University (RRU) is one of only a handful of academic programs in Canada that provides full-time support to the development and management of student led academic teams. The role of Team Coach is intended to support the achievement of the learning outcome “Works with Others”, one of five learning outcomes that form the foundation of the MBA and BCom programs. Team learning is integrated into all of the FoM courses and teams are a mechanism that accomplishes two significant program outcomes. They are the leading edge for mastery of our learning outcome of working with others and they are the primary point at which students can share and build knowledge. The sharing of perspectives allows students to utilize the combined experience and shared knowledge that exists within the team, apply that knowledge to their team assignments, and transfer knowledge between team members. The FoM pedagogical approach to teaming is consistent with social constructivist theories in which students create knowledge and understanding through interaction and conversation with others, enabling articulation, negotiation and reflection on ideas (English and Yazdani, 1999).

In an academic environment, it is important to create and support teams that keep the learners engaged and allow for the effective delivery of the program learning outcomes. For this reason, students at RRU are organized as Self Directed, Project Management, Student teams. Student teams are self-directed in that they are peer based and there is no predefined power structure or leadership hierarchy. They are project
management teams in that they must plan, manage, and deliver on their assignments, and they are teams that are comprised exclusively of students. The experience of working in such teams creates significant opportunities for the students to master the competencies defined by the learning outcome of working with others.

**Self Directed Work Teams**

Piczak and Hauzer (1998) define Self Directed Work Teams (SDWTs) as “a highly trained group of employees that are fully responsible for turning out a well-defined segment of finished work. Such teams plan, set priorities, organize, coordinate, assess the state of processes, and take corrective action”. Some of the benefits of SDWTs are that Self-directed work teams take advantage of employees talents, skills, abilities, ideas and experiences. As a result, they are the most advanced form of worker empowerment (S. Ramirez, 1999).

In relation to the RRU learning outcome of working with others the experience of working in SDWTs provides the students with an opportunity to engage with and master the learning outcome competencies of;

- Operate as a team member by sharing knowledge, soliciting and valuing input from others and contributing equally to the work of the team,
- Understand group dynamics and uses that understanding to plan group processes to achieve goals,
- Demonstrate the ability to use conflict resolution techniques,
- Demonstrate effective project management skills,
- Foster and build a team culture that is receptive to change, progress and flexibility in order to achieve desired results, and
- Recognize and respect different cultures and values of others, and works to find common ground when values conflict.

The challenges of working in an SDWT environment are significant. For example, SDWTs require that members master team and interactive skills at more sophisticated levels than are needed on traditional (hierarchical) teams (Wellins and George, 1996). Team and interactive skills include the interpersonal, communication, and social skills that team members need to be effective.

Surveys of SDWTs determined that inadequate training provided the greatest hindrance to effective team performance (Donovan, 96). In a recent RRU Bachelor of Commerce team evaluation process twenty-two out of twenty-four teams identified group work skills as one of their greatest developmental needs. If teams are to function effectively Wellins and George (1996) state that SDWT members require training and support in the following areas.

- Problem solving
- Meeting management skills
- Communication skills
Skill and competency training is a primary leverage point for developing effective teams and team players. In the FoM, the author facilitates team development sessions at the beginning of the team’s initial engagement. In order to support student team development the Team Coach has created learning sessions that focus primarily on those areas that are foundational to team effectiveness. These are described by Osburn (1996) as “a shared goal or mission, a climate of trust, open and honest communication, a sense of belonging, consensus decision making, and participative leadership” Lencioni (1997) has described trust and the ability to engage in conflict as two of the primary qualities of successful teams. In recognition of the significance of these areas of team development, the focus of the Team Coach Sessions is to provide a theoretical framework for the experience of working in teams and some of the skills needed to function effectively. Key topics covered include conflict resolution skills, communication skills, and the facilitation of dialogue that supports developing strong team relationships and further development of the team charter.

**Project Management**

Most SDWTs have a project management focus and this is a function for which they are ideally suited. Schlick (1988) defines a project as “a series of interrelated activities aimed at a goal. A project has a specific start and finish – it is not an ongoing activity”. Teams in the RRU FoM programs are required to work together to complete a series of deliverables. They must plan, organize, define and deliver their assignments within a prescribed time-frame. While the general criteria for their assignments are established, there are different approaches to the work and teams must make strategic decisions about direction on the project deliverable (the assignment).

Frequently project management, as it relates to teamwork, is not a part of the curriculum. It is left to the individual teams to develop their process for managing their work. While there may be advantages to learning various styles and strategies for approaching these tasks, there are also disadvantages in that the lack of direction often leads to direct conflict within teams.

For students to maximize their learning and develop effective skills they should participate in developmental opportunities as part of the overall curriculum (Jacobs and James, 1994). As a part of the overall team based curriculum, project management training could focus on the primary skill-sets that are necessary to function as effective self-directed project managers. These include:

- Clarifying project/assignment goals/objectives
Defining project scope
Determining the work to be done
Exploring roles
Determining resources
Developing a project plan
Assigning responsibility for outcomes (roles)
Creating a schedule
Analyzing and monitoring the project
Adjusting where needed
Integrating the work

The competencies required for effective team based project management are similar to the learning outcome competencies of working with others. The FoM use of self-directed project management as part of the FoM core curriculum creates opportunities for students in the programs to develop competencies that are in high demand in organizations today (Jacobs, and James, 1994).

Clearly, it is important for the students to have some understanding of the roles and processes that are associated with the work they are being asked to do. An example of this is the role of “project lead” This role can be defined in many different ways with a range of responsibility. Absent direction from the program, students may define the role in ways that are detrimental to effective team function or they do not define it effectively and make assumptions about expectations for the role. When expectations are not clarified, as often happens, the lack of clarity in the role definition becomes a source of conflict within teams.

Student Teams
In traditional face-to-face classrooms, collaborative learning has been endorsed as an effective pedagogy that fosters skills related to analysis, communication and higher order thinking. The development of team skills that are transferable to real world contexts mean that students have to assume more responsibility for their own learning, but need assistance in achieving this skill (Shaffer and Resnick, 1999).

Members of student teams benefit from learning in areas such as team problem solving, conflict management, and meeting management (Mazany and Francis, 1995). Research also suggests that team assignments can often frustrate and annoy students (Bowen, 1998) because teams must deal with expectations, attitudes, boundaries, and responsibilities, which can all cause clashes (Joinson, 1999). Receiving training and support is the most crucial element found in successful teams (Haywood, 1998). It was in recognition of the need for effective support that the position of Team Coach was created in 2004.

Students do not become collaborators merely by being grouped into teams. Effective collaboration involves a set of skills that need to be learned and cultivated. These skills become especially important in the virtual environment where team members
cannot meet face-to-face and where social dynamics may be delicate (Hassler-Waters, 2002).

In my role as Team Coach, I have observed interactions of over 100 teams and have found that the primary causes of student team dysfunction fall into three categories. Conflicts based on differing individual style, conflicts based on unclear expectations, and issues of accountability. Issues of accountability are compounded by limited team process evaluation.

Evaluation

One of the central challenges associated with team evaluation is the lack of opportunity to observe the team process. This requires evaluation to be based on peer assessment. The primary focus of literature around student peer assessment has tended to focus on the assessment of individual contribution to group work (Hanrahan & Isaacs, 2001). Pope (2001) found peer feedback stimulated student motivation and encouraged deeper learning. Promoting and encouraging meaningful learning about team interactions has recently become an important focus in higher education (Li & Steckelberg, 2004). When students are more actively involved, learning is more meaningful and achievement is improved (Orsmond & Merry, 1996).

Even though student interaction is a key for fostering learning through integration of personal experiences, it is often found that students are not actively engaged in online discussion to provide feedback (Muirhead, 2001). Peer assessment is believed to be one of the solutions, as it not only provides feedback but also stimulates student interaction and involves students thinking critically about assessment criteria. Within this context the assessment process can be viewed as “the learning exercise in which assessment skills are practiced” (Sluijsmans, Brand-Gruwel, & Van Merrienboer, 2002, p. 444)

While the benefits of peer-based feedback through structured assessment shows great benefits, there are some corresponding issues related to the validity and efficacy of such processes (DeNisi & Kluger, 2000). These areas of concern are primarily related to rater bias and the potential for conflict associated with the feedback.

In some cases, the result of the feedback process is to create rifts between team members when the results are not properly debriefed. In other cases, the information is not an accurate reflection of peoples perspectives due to an unwillingness or inability to give critical feedback or lack of understanding about the process. Although the feedback process is generally described as developmental in intent, many students are suspicious of the use of the data or resentful of what is perceived as a personal attack when they receive information that they feel is unfairly critical. When formal or informal processes are not utilized to give performance feedback, issues remain unresolved and fester, creating frustration and anxiety within teams (Mcloughlin, 2002).

Given the social interactions inherent in the team environment, interpersonal affects are likely to affect the cognitive processes involved in peer assessment (Bretz et al., 1992). An example of this is the “similar to me effect” (Latham & Wexley, 1982, p.
This is described as a tendency on the part of raters to judge more favourable those individuals who are perceived to be similar to the rater. Interpersonal affect, or positive or negative feelings about others, has also been shown to bias ratings in performance appraisals (Williams, as cited by May & Gueldenzoph, 2006, p. 6). These studies support the conclusion that raters will feel positive about those who have similar social styles and a tendency for conflict and lower ratings with those who have opposite styles (p. 8).

Two strategies have emerged to respond to problems related to subjective, performance evaluations: rating scale development and rater training (May & Gueldenzoph, 2006). Studies have further suggested that rating-scale format modification alone does not result in significant improvement in performance ratings (Gomez-Mejia, 1988). Rater training, however, has shown promise in improving the effectiveness of performance evaluations (Smith, 1986). Smith concluded that the more actively involved raters become in the training process, the greater the outcome (p. 37).

In terms of key elements for a successful feedback process, the literature review clarifies that peer assessment is a pedagogically-sound approach to enhance learning related to teaming; however, this process must account for student bias and student skill in relation to the feedback process. Training is seen to be the most effective manner with which to increase the quality of learning associated with peer feedback.

Participation and Performance

Finally, the issue of accountability to team outcomes is impacted by levels of participation and performance. Students, often define the problems associated with these areas, by a programs ability to identify, and act to address, the issue of “Free-riding” on assignments. “Free-riding” is defined as members of student teams that do not contribute meaningfully to the work of the team yet take credit for the teams success (Rosen, 2001).

Accountability issues can create significant ill will towards team members who get credit for assignments even when their participation is minimal. Free-riding harms the reputation of the program because it is perceived as unfair. Further complicating this issue is the relatively short-term nature of teams life span. This creates an environment in which some teams choose to ignore the formal process for handling accountability issues and simply adapt and carry on, in part because there is no grade associated with their efforts manage team conflicts. When teams choose to avoid resolving issues of participation and accountability, they deny the administration the opportunity to deal with non-performance and effectively pass the problem off to the next team.

The problems of accountability create a great deal of stress on teams when they have a concern but lack the tools to respond effectively. These issues can be resolved with the application of an effective evaluation tool, further training in performance evaluation skills, and clear, enforceable policies to manage free-riding.

Summary

Teams are a proven mechanism for achieving learning that is associated with teaming competencies. The Self-Directed Project Management process creates important
opportunities to generate learning and can become a value added feature of academic programs. The Self Directed, Project Management approach has many advantages but also introduces some unique challenges. Many of the issues that affect student teams can be resolved through increased training, the application of an evaluation process that focuses the learning associated with learning outcomes, and identifying performance issues.

By integrating an effective evaluation tool with the existing team assignments, a program will be able to consolidate the learning related to team learning outcomes, evaluate student team competencies, and establish a higher level of responsiveness to team performance issues. All of these outcomes will serve to enhance the value of teams in the academic programs and enhanced satisfaction with the program itself.
References


Strategies for Recruiting, Developing and Gaining the Commitment of Outstanding Professionally Qualified (PQ) Adjunct Faculty

Domain: Academic Administration

Jeffrey A. Mello, Ph.D.
Associate Dean and Professor of Management
Andreas School of Business
Barry University
11300 Northeast Second Avenue
Miami Shores, FL 33161
305.899.3531 (v)
305.892.6412 (f)
jmello@mail.barry.edu

Abstract
The overwhelming majority of academic units utilize adjunct faculty yet few develop programs targeted toward these individuals. This paper identifies the value that adjunct faculty can bring to an academic unit and suggests a variety of strategies to assist with their recruitment, development and commitment, with special attention paid to schools of business.
Strategies for Recruiting, Developing and Gaining the Commitment of Outstanding Professionally Qualified (PQ) Adjunct Faculty

Adjunct or part-time faculty are utilized by virtually every academic institution in the delivery of its curricula. Adjunct faculty are usually, but not always, employed under temporary or semester-to-semester contracts and provide administrators with tremendous flexibility in course scheduling. Adjunct faculty, many of whom are retired or currently employed executives/managers, are usually hired for the “real-world” perspective they can provide to students in the classroom.

Adjunct faculty can provide a very cost-effective means of instruction as their responsibilities are usually limited to teaching and they generally receive no benefits nor are they provided with office space. Their “per course” compensation is generally significantly less than that of full-time faculty who are also expected to produce intellectual contributions and engage in both internal and professional service. Their relatively low compensation and lack of job security has raised some concerns within the Academy that adjunct faculty are often exploited and treated as menial, transient labor.

**AACSB and Adjuncts**

AACSB has addressed the use of adjunct faculty in business schools by replacing the former full-time / part-time faculty classification system with a rubric that identifies faculty as being academically and/or professionally qualified, regardless of full-time/part-time status. This new classification system provides some guidelines as to the hiring and appropriate deployment and professionally qualified (PQ) faculty, the category under which most adjuncts might be more readily classified.

AACSB standards provide that as much as 50% of an institution’s “faculty resources” for an undergraduate program can consist of professionally qualified faculty. PQ faculty members are required to undertake continuous development activities over five-year cycles to maintain their status as professionally qualified. Such activities include, but are not limited to, maintaining an active consulting practice, board service, publication of papers in academic, professional or trade journals, or continued employment in an “active role of significance in a business enterprise.”

Indeed AACSB asserts that professionally qualified faculty are “important contributors to the mission of AACSB schools” and that their experience provides “the intellectual capital that allows them to contribute to the teaching mission in the area of their deployment as well as other mission components of the school as appropriate.”

However, despite this acknowledgement of the value of PQ faculty and the guidelines developed to assist with the classification and development of PQ faculty, an institution still needs to determine how to best create a cadre of PQ faculty that are as strong and committed to its mission as its academically qualified (AQ) faculty, who are usually full-time and employed on a more long-term basis. Below are some guidelines to assist with this task.

**Recruiting (staffing)**
Efforts to create a truly top-notch workforce in any organization begin with the recruiting process. Recruiting strategies for adjunct faculty need to identify the most likely sources of candidates who have appropriate professional qualifications. Administrators with staffing responsibilities can and should develop a professional network that includes practitioners in the disciplines for which they staff. This provides ready access to potential adjuncts as well as allows an administrator to remain current on actual practice in her or his field. Such a network can include professional academic/practitioner associations (such as the Society for Human Resource Management, American Marketing Association, etc.) as well as alumni groups. Full-time faculty can also be encouraged to join and be active in such associations in their own disciplines to afford them networking and consulting opportunities as well as the means of recruiting potential outstanding adjunct faculty. Many outstanding adjunct PQ faculty never even think about teaching until approached and end up being outstanding additions to the classroom.

Fortunately the majority of adjuncts enjoy the prestige of a university affiliation as well as teaching itself and the opportunity to share their experiences with students. Very few are “in it for the money” and don’t use their teaching as a primary source of income, instead relying on their professional and/or retirement income.

When recruiting from professional networks it is common to come across someone who has outstanding professional qualifications as well as an interest in teaching but no teaching experience. For many years, I immediately passed over such individuals until I was faced with a last-minute crisis situation and took a chance hiring an adjunct with no teaching experience. Since that time, I have hired as many adjuncts without teaching experience as those with experience. For those without teaching experience, potential classroom effectiveness can easily be gauged by having a prospective applicant visit a class and deliver a guest lecture. Platform and interaction skills can be assessed in tandem with an individual’s ability to deliver material in a manner that facilitates learning objectives. Such a screening device also provides a prospective adjunct with a potential confidence boost and realistic job preview.

**Development**

Because adjunct faculty are frequently hired to plug gaps left after full-time faculty have received their teaching assignments and usually hired on a semester-to-semester basis most are left to succeed or fail on their own accord and not afforded opportunities for development or integration into the department or college. This is unfortunate as adjunct faculty can be valuable assets that can produce significant returns when considered from an investment perspective.

Relative to their orientation to the academic unit, much can be done to facilitate their initial entry and integration. Those responsible for hiring can simply “walk them around” and introduce them to full-time faculty, who otherwise might not even be aware of them. Adjunct faculty can also be assigned a mentor from the full-time faculty who currently teaches or has recently taught the same course assigned to the adjunct. If possible, such an arrangement should be made during the semester prior to which the adjunct begins teaching so that the adjunct might closely follow the progress of the course and possibly
deliver a class session. An adjunct faculty handbook or manual can greatly assist with many basic administrative issues and questions surrounding the adjunct appointment (including items such as parking, mail and e-mail, technology and department and college policies regarding class cancellations, evaluations, grade rosters and grade submission, etc.) and provide adjuncts with a reference guide.

Particularly if an adjunct has no teaching experience a very informal evaluation of students taken sometime after the 5th week of the course can provide the adjunct with feedback to adjust her or his approach to the course and/or teaching style accordingly to ensure that students leave the course satisfied or to confirm and provide positive reinforcement that students are pleased with the course and its delivery to-date. Throughout the semester administrators can stress the value of adjuncts and actively promote them, increasing their perceptions of being appreciated and providing a meaningful contribution to the department or college. Opportunities can be presented to allow adjuncts to team-teach a course with a full-time faculty member, providing students with a more balanced perspective on the course material and allowing the adjunct and full-time faculty members professional development opportunities to learn from each other.

An institution that truly values its adjunct faculty can arrange for in-service seminars to assist with their development related to pedagogy, technology and the university network, library resources, etc. Those with greater financial resources can provide assistance with conference attendance and/or professional certification and membership dues. Simply asking adjunct faculty what they want and/or need to be more effective can provide more targeted development as well as motivational benefits.

**Gaining commitment**

Because very few, if any, adjunct faculty seek a full-time academic career, the loyalty that most have will probably be subordinated to the loyalty they have for their professional careers/jobs and/or family. This does not mean, however, that all adjuncts have no interest in contributing past their teaching assignments. Commitment of adjuncts can be enhanced by integrating them into the college and/or department. They can and should be included in department communications, events, meetings/lunches, etc. and their input sought during any such meetings or discussions. Because adjuncts generally do not have to worry about research/scholarship or service responsibilities, they often are more focused on their teaching and student needs than are some full-time faculty.

Adjuncts have a distinctive competence, their professional experience, which compliments the academic backgrounds of the full-time faculty. This experience can be of benefit and provide learning opportunities for other faculty members in addition to students. The expertise of adjuncts can be acknowledged by allowing them to do presentations, be practice-based resource guides and/or provide industry contacts for the full-time faculty. Adjuncts can also be recognized and rewarded for outstanding teaching (or service, if they provide it) via annual awards or some other kind of recognition. If the department has additional office space, providing adjuncts with an office with a desk and
telephone, even if it is shared or pooled, can greatly contribute to gaining their commitment to the institution.

**Conclusion**

Adjunct faculty can be a vital component of a department/school’s mission. The contributions they can make greatly supplement those usually made by the full-time faculty and their importance and value have been acknowledged by accreditation bodies, such as AACSB. Even though they may remain formally employed on a semester-to-semester basis, it is still possible to advisable to invest in them and their development. Outstanding adjuncts, particularly those with successful teaching experience, will be in demand by competing institutions. However, in many cases, they may often stay with an institution when a competitor offers a higher rate of compensation. Because most adjuncts aren’t “in it for the money” it need not be difficult to retain outstanding adjuncts by simply treating and managing them as critical assets, developing them accordingly and gaining their commitment to the institution.
Abstract

The authors redesigned their Marketing Capstone class making it into, essentially, a dress rehearsal for the real world. They did far fewer lectures, had no tests whatever, and provided an abundance of activities, including a real life consulting project undertaken for a real life client. The results have been very good, with students reporting learning in the areas of synthesis of marketing concepts, career preparation, experience as a team contributor, and experience as a team leader. The method can be easily replicated in most capstone course environments.
Introduction

The authors teach at a very small, regionally and internationally accredited not-for-profit university which offers degrees exclusively in the areas of business. Because literally every student majors in one of the business disciplines, there exists strong pressure to provide an education which is not only academically rigorous but also immediately applicable to the workplace. Students are expected to be job ready upon graduation. Because capstone courses have historically been thought of as synthesis courses, at least at this university, the authors undertook a project to revamp their university’s Marketing Capstone course to require the students to draw upon the entire wealth of knowledge which they had accumulated in their business core and major course requirements. This has been accomplished by placing most of the course’s emphasis on a real life consulting project complete with a real life client and real life deadlines. Additional reinforcement comes from a simulation game (which gets intense enough that corporate espionage has been known to occur) and cases based upon real events. While the course has evolved over several years and two instructors (one of the authors made the initial changes to the course while the other refined it to its current format), qualitative student feedback confirms that the course is doing what one would hope the last course in a major sequence would do: honing the skills students need in the work world. The authors felt that the capstone should be a special course. As another author noted “It is a time for reflection, integration, and closure” (“Capstone Courses”, 2006, p.8). They endeavored to make it this, as well as a preparatory activity for the work world. Perhaps the course is best summed up in the charming vernacular of an undergraduate student filling out a course evaluation: “I definitely learned a ton.”

Highlights from The Literature

While the change in class format was initiated largely because the authors were convinced that it would provide a more meaningful experience, there is much empirical evidence which supported this belief on their parts. Specifically, there is a rich literature base supporting different modes of learning, the value of simulation, the value of collaborative group effort, and the utility of student peer feedback. Because of space constraints the authors have not endeavored to provide a full literature review but rather have touched upon some of the more seminal and/or appropriate research in each of these areas. There is also some support that there exists an expectation that capstone courses will prepare students for the working world (“Capstone courses prepare”, 2006).

The realization that students are not learning everything professors wish they might learn has manifested itself in a number of ways, among these the search for new styles of learning and teaching. That there are different styles of learning and teaching has been demonstrated for decades (for example, Claxton & Murrell, 1987). Faced with this realization, instructors have been searching for ways to engage their students and the effectiveness of interactive instruction methods has been known for some time (for example, Bonwel & Eison, 1991). To illustrate the explosion of research and resources (some of each undoubtedly better than others) in this area, as of March 2007, a Google search for “active learning” yields over 1.2 million hits.
While group work can be challenging for both instructors and students, it can also be a very valuable part of the learning experience (note: Hansen [2006] has done a quite useful literature review in the area of group work). As Colbeck, Campbell, and Bjorklund (2000) suggested, students learn much from group work and simulations and employers find these activities valuable preparation for the work world. While it becomes difficult (and perhaps ill-advised) to strip all of the competitive aspects out of a class, having students work together in problem solving activities is a powerful but oft-neglected educational tool (Johnson, Johnson, & Smith, 1998). Group work can require a considerable amount of effort from the instructor (Hansen, 2006) and consumes a significant amount of class time (McKendall, 2000). As Todd & Magleby (2006) note, the input from the instructor is critical to the success of the project. de Freitas (2006) noted the value of games in collaborative classroom work.

The utility of students receiving feedback from other students has also been demonstrated, though students can be brutally honest in their assessment of their team members. There is some evidence to suggest that students often give better (i.e., more closely aligned to performance) grades than do instructors (Metheny and Metheny, 1997). As Page & Donelan (2003) noted, having the ability to do peer evaluations can both lead to better student engagement as well as help eliminate the free rider problem which often plagues group work.

Felder and Brent (1996) predict some “difficulties” (some might say features) of such an approach: students can become enthralled in discussion and difficult to regain control over, portions of the book can go untaught, and some students might not like the approach. They also predict some more troubling issues such as reluctance of students to work in groups and students feeling that some members of their group are not doing their fair share of the work.

Class Redesign

When the authors started teaching the capstone course, it had historically been a largely lecture based class which had tried to tie together material beginning at Principles of Marketing (the introductory course) through the entire major offering. From a practical standpoint, because the students had completed essentially their entire business core and all of their major courses, there remained little general material in the discipline to be covered (though there always exists both specialized and more advanced material to be learned). Because it was largely a “wrap up” class, students had neither the opportunity for much group work nor any hands-on activities. The authors want to be careful to point out that they are not being critical of the prior instructors or their methods; each instructor will have his or her own way of meeting learning objectives and should be able to do so free from second guessing by his or her peers. While the class as it existed met learning objectives and provided a fairly comprehensive review of major points, the authors believed that, as the last course of their undergraduate careers, it had the potential to be more useful to students.

The authors redesigned the class in several stepwise iterations. While they have used a textbook, it was chosen primarily because it featured an excellent template for a marketing plan as well as real world recent cases which included company names and details. They eliminated most lectures, tests, and homework. While students initially
thought the course would not be very demanding, the two activities featured prominently in the redesigned class – the game and the project – actually require a great deal of work both inside and outside the classroom. Because the game and the project both consume the majority of the class time and are the most important elements of the class, the bulk of this paper focuses on them.

As stated, the authors endeavored to make the class as close as they possibly could to a work situation. Inherent in this were expectations regarding the timeliness and quality of deliverables – the assumption was always that the product would be used.

One practical limitation, of course, was that there really was no practical way for students to make actual strategic decisions, implement them, and then see the results. For much the same reasons airlines use flight simulators, the authors used a marketing simulation.

Drawing on the work of Metheny and Metheny (1997), the course features, and heavily weights, performance evaluations by other peer team members.

The Game

The class incorporated one of the more complex marketing simulation games which had the students making a myriad of decisions, including those beyond what the typical college student would think of as “marketing” decisions. These included everything from production quantity to the amount of time sales representatives could spend on non-sales duties. There were two distribution channels with the ability to add a second product (which might or might not cannibalize sales from the first product). As can be surmised, the students had to make literally hundreds of decisions each game period. As in life, each of these decisions have consequences – students making monumental product changes overnight learn about the exponential costs of such rapid change while those firing all of their sales staff learn about the costs of severance.

The class is broken into four companies which compete for a limited amount of sales. An interesting twist in this particular simulation is that there are a number of very different market segments: there is a tiny segment which will pay a fortune for a high end product, a fairly large group of consumers who shop based solely upon price, and so on. While the four companies start out with identical products, within a quarter or two they usually bear no resemblance to each other.

While the instructor usually drifts between groups as they are analyzing their results from the last quarter and making their decisions for the next quarter (and as an aside, once the students start this process it is difficult to get them to stop to do another activity), they have been able to avoid giving specific advice by noting that as in life, much depends upon what the other companies do.

The Project

The major component of the class consisted of a real life consulting project. The instructor located a business which needed a marketing plan. The students were provided with a very thorough template (Ferrell & Hartline, 2005) from which to work. Then the students were told to organize their class into a marketing consulting firm, come up with
a plan for producing their deliverables, and start to work. As McKendall (2000) suggested, there was ample time for group meetings during class.

It should be noted that while this is a student led activity, in the authors’ experience, the instructor has had considerable involvement. Among other things, to avoid having multiple students call the same person, it has proven beneficial to have one client service manager (different groups have assigned this person different titles) who is the only person who deals with the client. It has also proven beneficial to have a project manager (again, some groups have assigned different titles) and an editor. It will not surprise those accustomed to working with undergraduates that the instructors also needed to provide occasional prodding relative to deadlines (as Hansen [2006] also observed, there are challenges inherent in group work, not the least of which is the instructor having to devote a significant amount of time to managing the group effort).

As an aside, while Page & Donelan (2003) observed that student evaluations can help eliminate the free rider problem, the authors have noted that many students will cover for their group members unless slacking reaches particularly egregious levels.

**Research Method**

While the research method employed was a simple post hoc collection of comments from the students regarding what they learned, the data gathered was remarkably rich in both its candor and its utility. The authors simply required students to write papers entitled “What I learned from the game” and “What I learned from the group project.” It was made clear to the students that they received a grade for doing the papers, not for what they actually said in the papers.

**Results**

Context analysis of student comments show that student learning seems to be occurring in four general areas: synthesis of marketing concepts, career preparation, experience as a team contributor, and experience as a team leader. As a tangential benefit, from the instructor’s purely personal standpoint, many of the comments have been gratifying.

**Synthesis of Marketing Concepts**

One of the goals of this capstone course was to require the students to synthesize material from their previous marketing classes. While teams are discussing their game decisions, the instructors often note this synthesis through fairly high order discussion regarding the effects of various decisions. Because the game is so complex, a number of variables must be considered simultaneously. Likewise, because the background analysis required for the marketing plan is so comprehensive, students end up with a very good understanding of not just the client business but also of the competitive, regulatory, and socioeconomic environment in which it competes.

Student written comments gleaned from class evaluations indicate that the class is effective in this regard.
“At first I thought it was just a game. After being a part of it, I realize that it was much more. The game helped me to make owning a business a somewhat realistic feeling instead of some dream of the future. I am now a lot more confident in my abilities to one day own and operate a business.”

The game “gave me practical knowledge of how the elements of the marketing mix all integrate simultaneously, though each is weighted individually.”

“As an authentic project, with a genuine purpose and valuable repercussions, the experience was extremely constructive on many levels.”

“It is also a good way of learning how to introduce a new product to market and how unexpected things occur even though you think you have figured it all out.”

“The semester game was definitely a great learning tool to use to begin to understand the real scenarios involved with a product life cycle.”

“If I could have done anything differently, I would have done more examining of previous financial statements to make better decisions.”

“Throughout the game, it was easy to see the cause and effect relationships about the decisions we made.”

“I learned that everything you do in a business has some kind of cost.”

“Deeply in my heart, I think they should have a game like this for every class, because it gives you a real life experience. As students we can read books all day, but still be confused when we enter the real world where you have to perform the task that is learned in the classroom.”

“This class allowed me to see where all of my other marketing classes can come into play.”

**Career Preparation**

Because this was the last undergraduate course, the authors also endeavored to give the students something which they could put on their résumé under the “experience” section as well as to stock their toolkits with skills they could use on their first job. Actual comments gleaned from student evaluations indicate that the course is successful in this area as well.

“At times I felt like I was running my own business, though it was somewhat scary, I kind of like the idea of it.”
“All in all, this project has been great practice and has given me a brief sense of what being in the business world is like.”

“I have learned ways to overcome pressure and complete long term assignments which most people would give up on.”
“There have not been very many things that I have done in school that I feel would really prepare me for the business world. But I do feel this semester long project has done exactly that.”

“I really learned a lot that I can apply to my future.”

“I learned more than I thought I would in Marketing Strategy.”
“This will prepare me for a real life situation.”

“I feel I will be able to use this knowledge in the marketing field.”

“To be able to do work that applies to the real world instead of just doing things for the professor or teacher makes a big difference for me when it comes to learning.”

**Experience as a Team Contributor**

As the work by Johnson, Johnson, & Smith (1998) would predict, the team component of the class created many learning opportunities. While being a part of a team was essential, thus far, student evaluations have reflected the value of this exercise. Students have noted that “at the beginning of the semester, upon hearing about this project, I was convinced that the work would be insurmountable” and “I learned that teamwork is the key to any successful business.”

**Experience as a Team Leader**

Metheny and Metheny (1997) noted that sometimes team performance falls short of expectations, and students came to this same realization. A few noted it in their evaluations of the course.

“This project taught me all the things that need to be taken into consideration for making a marketing plan. However, I think I learned most about working with people. Not everyone shares the same intensity on a project and as a manager it is your responsibility to get the job done.”

“The project was a good learning experience it taught me how we need to delegate tasks in order to get a job done and I never realized how much someone working in a marketing field needed to do.”

**From the Purely Personal Standpoint**
The instructors have been able to help small local businesses which would have been unable to undertake projects such as this on their own. That has been gratifying to the instructors and of value to their employer’s reputation in the community. Further, some of the comments on student evaluations have been personally gratifying.

“It is too bad there were not more real life projects like this throughout the marketing department.”

“The Marketing Strategy course project was definitely the most interactive, significant class project I have ever been involved in.”

“The game was definitely one of the most interactive activities I had ever been a part of.”

**Implications for Professors**

While these techniques can be incorporated into many classes, some, like the semester long project, require a significant amount of class time. While those reading the syllabus might come to the conclusion that there is little work for the professor to do, in actual practice, the time saved by not preparing lectures has been consumed by keeping the students on track in the various projects. The authors also note that this approach is not for the faint of heart instructor – students have thus far illustrated their propensity to wait until the last possible moment each and every semester this course has been offered in this format.

The authors also note that not every student likes this approach and that many are less than thrilled at first. Students can sometimes be resistant to taking more responsibility for their educational experience (“From student consumer”, 2004). They have encountered students who have not liked the company chosen or have balked at doing the work for free. They have noted that many students are initially overwhelmed by the sheer number of factors one must consider in the game.

**Limitations and Directions for Future Research**

One of the most concerning limitations is that, while the authors now have three years worth of data, the students do not have a basis from which to compare. Students take this class a single time and are unable, therefore, to render an opinion as to which methodology is better. While the authors did not have the luxury of comparing student opinions regarding the old format vis-à-vis the new format, this would likely be an interesting experiment. As is always the case with self-reported achievement, it becomes difficult to come up with direct measures of success. Following up on students a year or two into their employment would also provide interesting information.

The authors also note that they simply do not have much data regarding the cases. They believe that the cases, drawn from recent experience in the real world, are beneficial. They also believe that they are more beneficial than would be hypothetical cases. Anecdotally, that some students research what actually happened and model their
answers accordingly indicates that they have some interest in the cases. Demonstrating the value of the case studies might prove useful.

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An Integrated Activity Based Management Framework for Canadian National Defence

Dr Armand St-Pierre
Department of Business Administration
Royal Military College, Kingston (ON), Canada
Email: stpierre-a@rmc.ca

&

Col. Gerry Champagne, Cdr, Base Garnison St-Jean
Email: Champagne.JAG@forces.gc.ca

ABSTRACT

Over the last two decades, the business world transitioned from the industrial to the information age where intangible assets are replacing the domination of tangible assets as performance measures. In order to maintain their competitive positioning and advantages, businesses adopted value-creation strategies that move from “product-centric” to “customer-centric” and exploit knowledge-based assets. While the progress is slow, we are also witnessing a departure from strict financial measures to a greater emphasis on strategy as the cornerstone of performance measurements as demonstrated by Kaplan & Norton in their research (2001). Since 1995, Canadian National Defence (CND) has also embarked on the same strategic path. The goal of the research paper is to present an ABM framework to enhance management performance and to achieve cost effectiveness. Theoretical design and principles examined in this research paper will help researchers in this discipline to do some empirical studies to validate hypotheses presented in this research paper.

Introduction

Two independent surveys revealed that a large number of successful organizations rank strategic planning, mission and vision statement, and benchmarking as top performers in terms of utilization and satisfaction of management tools (Kidwell & All, 2002). Activity Based Management (ABM) seems to be a popular technique use amongst leading businesses. The presentation of a White Paper on Defence Policy prepared by CND (2001) discusses the topics of Strategy 2020; Defence Planning Guidance, Defence Plan, Planning Reporting and Accountability Structure (PRAS), and demonstrates CND’s willingness to become a strategy-focused organization with sound management systems as shown partially in figure 1. The Strategy 2020 document identifies both the challenges and opportunities facing the Canadian Forces as they have to adapt to change in a rapidly evolving, complex, and unpredictable world.

in one hand (relationships, processes, behavior, and leadership), and on the other hand performance (financial, operational, and non-numerical measures). The shifting towards value-strategies causes management to critically evaluate management and accounting systems. In fact, the authors of this research believe that organizations such as CND tend to attach greater importance to defence goals and mission and forget to examine process efficiencies and cost effectiveness in doing business while delivering the “best-quality service” to the customer.

Figure 1 – Elements of Strategy 2020

The goal of the research paper is to present an integrated ABM framework to enhance management performance and to achieve cost effectiveness. Secondary objectives will be to justify on theoretical ground the integration of the Balanced Scorecard adapted by CND, and Total Quality Management principles to this ABM framework to achieve effectiveness and efficiency while delivering services to its customers.

Why worry about ABM!

In the late 1990s, ABM increased popularity as a management system for strategy-focused organizations seeking value-creation for their customers. Initially, ABM was defined as “a methodology that enables managers to improve both the value for customers of goods and services and the company’s profitability, by focusing on the concept of activity, and on the way activities are performed inside the organization” (Macarrone, 1999).

In today’s environment, Ansari, Bell, Klammer, & Lawrence (2003) labels ABM as the analysis and costing of activities in order to improve work process in an organization. This study views the Consortium for Advanced Manufacturing —International (CAM-I) definition as the most suitable one as it describes ABM as “a discipline that focuses on the management of activities as the route to enhance the value received by the customer and the profit achieved by providing this value”. In addition to activity analysis, the authors of this study include cost driver analysis and performance measurement. This
study introduces important ABM concepts: management of activities; value-creation for the customer; profitability (profit or non-profit); evaluation of cost; process; and performance measurement. In fact, one can identify the commonality between ABM system and strategy-focused founding concepts (Holst & Savage, 1999).

**Process Understanding**
- Focus on Work
- Cross-Organizational Work
- Interdependencies across the Organization

**Organizational Decisions**
- Product Design
- Cost Reductions
- Budgeting

**Technical**
- Firms need to fix processes
- Challenge conventional wisdom
- Encourage cross-functional communication
- Cultural conflict

**Cultural**
- Communication that process knowledge matters
- Reinforce TQM & continuous improvement
- Empowers employees

**Behavioral**
- Why should we integrate ABM with other management tools in CND!

A survey administered in 1999/2000 to local governments in United States, United Kingdom, and Canada revealed that Benchmarking, Process Reengineering, Total Quality Management (TQM), Balanced Scorecard (BSC), ABC, and ABM were the most popular management tools. Rigby (2001) conducted a similar survey and showed that 5,600
senior managers across more than 30 international industries ranked strategic planning, mission and vision statement, and benchmarking as the most widely used tools. More importantly, the same author suggested that contemporary businesses and non-profit organization use on average eleven management tools at any one time. ABM seems to provide an interesting framework for a number of management tools. CND use some of these management tools such as ABC, TQM, Benchmarking, and the Balanced Scorecard.

Activity Based Costing (ABC), a derivative of ABM, has been used by several business organizations as a solution to reduce costs, to improve profitability, and to provide an effective and efficient service to its customers. CND (2005) adapted ABC in several departments, a financial accounting tool that provides an excellent managerial tool for the identification of cost dimension - cost and activity drivers as shown in figure 3.

Can we justify an integrated ABM framework in Canadian National Defence!

In 1995, CND adopted a culture of “money for value audit” that emphasized effectiveness, efficiency, and economy (called the 3Es). In 1998, CND launched its financial reform with the development and implementation of its “financial and management accounting systems” (FMAS). The FMAS was implemented as a primary measurement system to assess performance based on financial metrics. The Honourable MacCallum (2002) suggested in his speech that effective governance, controllership, and accountability will help CND to implement a series of measures aimed to enhance management effectiveness through the promotion of modern management strategies and performance measurement.

ABM provides an attractive complementary framework with its emphasis on cost driver, activities, and performance analysis. Tarr (2003) presents in his study a mix of financial and operational information used to improve decision-making. Ansari & all (2003) explain that ABM is consistent with TQM because it emphasizes the need to understand activities; while ABM focuses on activities, their costs, and measures of performance.

Beamish & Woodcock (2003) also mention in their study that benchmarking emerges as one of the most popular tool among top international senior executives due to the relative easiness in its implementation. ABM systems use benchmarking for its comparison relevant to internal cost and performance measures with internal and external standards and requirements. As illustrated at figure 3, the BSC is built on four perspectives: financials (cost), customers, internal processes, and learning and growth. From a strategy-focused and decision-making dimension, one can establish a closed relationship between ABM and BSC.
An integrated ABM framework including ABC and BSC models allow an organization to create a standard view of the processes and activities along with standard measurements. In a strategy-focused structure, ABM system could serve as an enabler in the integration

Figure 3 – An integrated ABM framework in CND

An integrated ABM framework including ABC and BSC models allow an organization to create a standard view of the processes and activities along with standard measurements. In a strategy-focused structure, ABM system could serve as an enabler in the integration

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of management tools within financial and management accounting systems used by CND. This system presents key benefits by focusing on the management of activities, the value-creation for the customer, the identification of causes and root of costs, the processes, and performance measurement.

Ness, Schrobeck, Letendre, & Willmar (2001) conformed in their paper that ABC help to measure the customer value. Based on the “activity” as the “cost object” examined under the ABC model, ABM relies on activity analysis to analyze the outputs, cost, and performance of organizational activities. As a result, an ABM’s team determines the major processes, the inputs and outputs, resource allocation and activities within process and activity flow. The performance measurement analysis establishes for each activity the output measures, performance measures, control system (quality, cost, time) and performance level standard. The ABM activity analysis should provide clear insights on the value-added and non-value-added activities in the organization along with the root and causes of cost. For example, the result of this analysis might lead to greater shared services.

As depicted in figure 3, the ABM system would serve as the overarching framework for ABC, benchmarking, TQM, and BSC. The ABM approach would assist in the integration of the ABC stovepipe systems and operationally the FMAS information for operation and financial managers across the organization. CND managers at all levels would develop a greater sense of controllership and accountability through this increased understanding of financial data from the activity, cost drivers, and performance analyses. CND managers will be able to make effective, efficient, and economical decisions about value-added and non-value-added activities through this better understanding of the root and causes of costs.

In order to effectively implement ABM, one needs to create the conditions for success. Koib & Donnelly (1999) justify in their research that leadership commitment is a critical factor for success with ABM. Pertinent information provided by the ABM model well implemented must help the enterprise to achieve its strategic goals (to achieve a competitive edge as an example), mission and vision. Moreover, an effective ABM model working in synergy with an effective reporting system should provide organizations with cost efficiencies and operations effectiveness.

CND must apply in a consistent manner ABM methodology and principles. ABM must link strategic goals, initiatives, and performance measures to make better decisions and to improve process efficiencies. ABM information system should provide pertinent information and help key managers to take better decisions. Training and education should foster an ABM culture throughout the organization.

Conclusion

The authors of this research paper examine the ABM model with the purpose of
demonstrating that ABM would provide the required framework to enhance management effectiveness and to support the financial information needs of the CND. The discussion of the ABM model and principles indicate that ABM assists to better manage activities, to evaluate sources and root of costs, to foster continuous improvement of processes, and to establish relevant performance measurement.

ABM also facilitates the integration of current management tools (ABC, benchmarking, TQM, and BSC). As a strategy-focused organization, CND should exploit the adoption and the implementation of an integrated ABM framework in CND to enhance operations efficiency and cost effectiveness in doing business with its customers.

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Policy, Responsibility, and the Crisis of Trust: Implementing CSR Policies and Procedures in Latvia

David E. McNabb and Gundar J. King
School of Business Administration
Pacific Lutheran University,
Tacoma, Washington

and

Andris Pētersons
Dean of the Public Relations Faculty
Turība School of Business Administration
Riga, Latvia
POLICY, RESPONSIBILITY, AND THE CRISIS OF TRUST: IMPLEMENTING CSR POLICIES AND PROCEDURES IN LATVIA

ABSTRACT

The range of the decision alternatives available to managers is framed by the policies and values that exist at the time the decisions must be made. Trust is one of these critical values; without the trust of its stakeholders, an enterprise cannot survive. Trust affects the actions of governments as well as business enterprises. As a result, organizations of all types devote significant resources to programs to maintain the trust of their customers, suppliers, regulators, citizens, and other stakeholder groups. This paper reviews efforts in Latvia to strengthen public trust through adoption and implementation of Corporate Social Responsibility (CSR) programs, and chronicles results of a survey of the attitudes of managers toward CSR.

Keywords: Corporate social responsibility, public distrust of government and business, business policy and practice, ethics, public relations, Latvia

Introduction

Trust matters; it is the glue that holds organizations together. It is a social phenomenon that creates and maintains cohesiveness in social systems. Trust has been found to be associated with productivity, cooperation, conflict, group performance, manager’s relations with workers and the reverse, satisfaction, leadership, stress and burnout, and job satisfaction, among others. In organizations, nothing happens without trust (Carnevale 1995). Trust affects all types of relationships, between citizen and citizen, citizen and government, worker and industry, and industry and community. Industries are recognizing this fact and are implementing Corporate Social Responsibility programs to improve and maintain trust in their dealings with all their stakeholders.
Before continuing, a definition of corporate responsibility is in order. The Kennedy School of government at Harvard University defines corporate social responsibility thus:

We define corporate social responsibility strategically. Corporate social responsibility encompasses not only what companies do with their profits, but also how they make them. It goes beyond philanthropy and compliance and addresses how companies manage their economic, social, and environmental impacts, as well as their relationships in all key spheres of influence: the workplace, the marketplace, the supply chain, the community, and the public policy realm. (KSG 2007)

Expanding on its formal definition, the Kennedy School CSR web page definition goes on to note that a number of related terms are often used interchangeably for the term CSR. Although different, the terms all point in the same direction: the social roles expected—if not demanded—of private companies. These related terms include:

- Corporate responsibility
- Corporate citizenship
- Socials enterprise
- Sustainable development
- Triple-bottom line
- Corporate ethics, and
- Corporate governance

Mandating corporate responsibility has become an accepted policy directive of governments as well as a strategic direction of business. For example, the UK government, among others, includes a formal CSR office, associated with its emphasis on sustainable development. The UK CSR office defines CSR as “the business contribution to sustainable development goals.” Essentially it is about how business takes account of
its economic, social and environmental impacts in the way it operates—maximizing the benefits and minimizing the downsides” (CSR-UK 2004). Moreover, CSR is seen as the total of voluntary actions businesses take—beyond legal or political requirements—to integrate its competitive interests with those of a wider society.

Clearly, corporate social responsibility programs are meaningless without trust. If a firm, a political leader, a neighbor, is distrusted, all the CSR in the world will smack of propaganda, not honest communication. Distrust holds back education, ethical behavior, and severely limits social relationships. Therefore, this paper begins with a discussion of a study conducted by the authors to measure trust on a number of different dimensions, and then turns to a review of the extent of CSR initiatives extant in Latvian business organizations.

THE ROLE OF TRUST

Trust affects company managers at two levels: internal and external. Internal trust is generated and maintained through the attitudes, beliefs and behavioral norms accepted within the organization. It is reflected in the organizational and management procedures that shape the way the operation is governed. Internal trust is formed by the vision of senior management and board of directors; It is manifested in the way the organization elects to perform its mission, the way manager guide the use of resources, and how they respect and treat employees.

External trust, on the other hand, is a reflection of the environment that shapes the range of choices from which management policy may be selected. It is trust that is thrust upon management from without. External trust is formed by the influences resulting from the reactions to enterprise actions that emerge from the political and public-attitude
environment of the period. For example, a government that ignores corruption generates acceptance of such practices among managers in private organizations, which results in other organizations following suit.

Today, managers in public and private enterprises around the globe are increasingly hampered in their range of decision alternatives because of an apparent breakdown in morality at both the internal and external levels. This breakdown has, in turn, seriously eroded the level of trust that citizens hold toward their leaders in government, business, and society in general. Growing dissatisfaction with leadership has brought about what many now describe as a crisis of trust (Hoffman 2006; Hansen 2005; Young 2004; Millstone and Zwanenberg 2000; Cohen 1996).

This crisis of trust limits the effectiveness of politics and government, business and industry, the church and the media, science and health services, education and voluntary nonprofit organizations, and all types of institutions around the globe. Because of this crisis of trust, the ethos of social responsibility that makes it possible for society to function has been severely strained.

Trust is not a static concept. Rather, it is constantly shaped and reshaped by the changing attitudes, intentions, and actions of governments and citizens that affect society. Importantly, trust can also be shaped by public opinion. Organizations spend millions in efforts to sway public opinion to influence policy and raise levels of trust. This paper describes results of a more than-five year stream of research on issues of trust in society, business and government in the Baltic nation of Latvia. The paper describes results of a survey of attitudes of university business administration students and of a survey of the efforts by Latvian businesses to restore trust among citizens and employees.
Challenges When Policies Conflict

Trust exists at more than one level in all organizations. As a result, managers often face difficulties in making decisions when the policies conflict. Advocates of policies at all levels often compete with one another for acceptance and allocation of resources. In such situations, awareness and understanding of public trust and its ramifications is particularly important in organizations engaged in providing products or services to paying customers. The results of falling trust is seen in the character of the laws enacted, regulatory actions taken, court decisions handed down, and the behaviors and attitudes expressed by legislatures and the public toward mandating greater responsibility by managers or lapses in ethics in their business operations. Despite the professed belief that it is in the best interests of business leaders to function in ways that avoid charges of unethical and illegal behavior, malfeasance appears to be increasing across all sectors of the global economy.

Policy changes often as a result of some catastrophic event, such as the energy crisis of 1973, 1978 and 2000, blackouts, stock market crisis, an injured child or family, disclosures of bribes or payment for preferential treatment, and similar negative actions. These public policies are both supportive or they advocate greater control over business. Airing of an account of an unethical or irresponsible business decision can result in immediate regulatory and preventative legislation.

On the other hand, a published report of a positive action or policy takes much longer to reverse an unfavorable attitude. As a result, enlightened leaders of organizations recognize that accepting their corporate social responsibility and maintaining socially responsible behavior is to their long-term advantage. Moreover, they are coming to
recognize that they must work at being a good citizen all the time, in all that they do, and with all whom they interact. Formal corporate social responsibility (CSR) programs are one way of accomplishing this goal.

This paper describes the results of studies conducted from 2000 to 2005 to measure the scale and scope of corporate social responsibility concepts among citizens and a variety of Baltic businesses and industries. The purpose of this study was to measure attitudes toward business, society, and corruption in Latvia and its neighboring states of Estonia and Lithuania. In addition, a comprehensive study was conducted to measure the awareness of the emerging practice of CSR.

MEASURING ATTITUDES AND TRUST

This research also included an exploratory examination of the attitudes of a sample of nearly 100 young men and women from northern Europe. The sample was drawn from students in their second year of a three-year post-secondary business administration program offered by the Stockholm School of Economics in Riga, Latvia. The sample was almost equally divided among the three Baltic nations: Latvia, Lithuania, and Estonia, although a small number of students hold citizenship from other former Soviet republics; three Russian and one Ukrainian students were included in the final sample.

The survey instrument consisted of 45 items grouped together into five separate sections that corresponded to composite attitude factors, and seven classification or demographic questions. Index scores were developed for each of the composite factors measured with the survey instrument. All scores are summarized in Table 1, a summary table of the descriptive statistics and Base Year Index (BYI) values for each of the five composite factors in the study (McNabb 2002).
**Table 1** Summary table of BYI values and underlying statistics.

<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
<th>N</th>
<th>Base Year Index Value</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Composite Trust Factor</td>
<td>96</td>
<td>56.6550</td>
<td>1.22</td>
<td>3.67</td>
<td>2.2662</td>
<td>.45298</td>
</tr>
<tr>
<td>Composite Citizenship Factor</td>
<td>96</td>
<td>60.9125</td>
<td>1.70</td>
<td>3.10</td>
<td>2.4365</td>
<td>.32739</td>
</tr>
<tr>
<td>Composite Government Factor</td>
<td>94</td>
<td>60.1075</td>
<td>1.25</td>
<td>3.50</td>
<td>2.4043</td>
<td>.42535</td>
</tr>
<tr>
<td>Composite Trust in People Factor</td>
<td>95</td>
<td>55.7025</td>
<td>1.33</td>
<td>3.00</td>
<td>2.2281</td>
<td>.33778</td>
</tr>
<tr>
<td>Composite Society Factor</td>
<td>92</td>
<td>71.2175</td>
<td>1.92</td>
<td>3.83</td>
<td>2.8487</td>
<td>.36584</td>
</tr>
</tbody>
</table>

**Composite Trust Scale**

A nine-item composite variable was used to measure subject’s general trust of their fellow citizens, outsiders, and strangers. The composite mean of means for the sample on this factor was 2.2662, which, when converted to a 100-point scale, produced a Base Year Index (BYI) value for Trust of 56.655 (all Base Year Index data is summarized in Table 3). The mean scores for all nine items in the scale are at or near the moderately negative level on the scale. Subjects were least trustworthy of strangers, providing a mean of just 2.00 for this item. They were most generous in their overall expectations that most people generally fair in their dealings with others. The greatest amount of variation (std. dev. = 0.869) in responses occurred with the item, *There are few people in this world you can trust in this world.*

**Citizenship, Participation, and Faith in Government Scale**
The second factor was a composite of ten items measuring citizenship, participation in politics and government, and respondent’s reported faith in the effectiveness and responsiveness of their government. Respondents were most negative in their perceptions of the power of private citizens to have any influence in either politics or government; three items received mean scores of less than 2.00.

**Trust in Government Scale**

The *Trust in Government* scale means for all but one of the items were all in the middle to upper negative attitude range. The lowest mean score (1.93) was reported for the scale item *Politicians are more interested in themselves than in the public*; this was one of the most negative scores for all items in the entire 45-statement scale. Respondents indicated a belief that their elected national governments were in the hands of a few powerful individuals—indicating that they still believed that their newly instituted democratic institutions mirrored somewhat their experience under Soviet rule. On the other hand, respondents were near to disagreeing with the item *We are losing our freedoms to government*, which earned a mean score of 2.86—suggesting that, even though government remaining concentrated in the hands of a few powerful leaders, it was not seen as nibbling away at newly won freedoms.

**Confidence in Society and Personal Future**

The Confidence in Society and Personal Future scale consisted of twelve scale items. The most striking finding to come from an analysis of the survey results is that across the board, the students were moderately optimistic in their outlooks. They view society in general as reasonably positive, and are optimistic about their own futures. As in all the items, scores of 3 and 4 reflect positive attitudes; scores of 1 and 2 reflect negative
attitudes or pessimistic attitudes. The sample was in most disagreement with the statement, *To me the future looks very bleak*; the mean for this item was 3.32, with a standard deviation of 0.624.

**Trust in People and Faith in Human Nature**

The final composite scale in the study was developed as a measure of people’s attitudes and perceptions regarding their friends, neighbors, and fellow citizens. The scale consisted of six items; responses for all items were predominantly negative. Most negative was the statement *People soon distrust others*, which had a mean of 2.11 and a standard deviation of just 0.574. This suggests that as a group the subjects were generally distrustful of their fellow human beings. The Base Year Index value computed for this sample was 55.7025, based upon a group mean of 2.2281. This Index value is the lowest of all BYI values developed in the study, thereby suggesting that subjects have least trust and confidence in their fellow citizens.

**CORPORATE SOCIAL RESPONSIBILITY**

In addition to the survey of citizens’ attitudes toward trust, information was also gathered on the evolution of social responsibility concepts among businesses in Latvia and to identify beginning trends in the development of programs businesses use to reduce distrust by becoming more proactive in building relationships with the public. The corporate social responsibility program was selected as representative of business actions.

For purposes of this study, the following definition was adopted:

*CSR is any deliberate, ethical and legal action that is taken by any business enterprise to improve not only its own operations and profitability, but also to better balance internal and external costs, and to increase social benefits in the area of its own operations.*
Approach and Methodology

Research for this article included reviews of CSR literature from public relations and economic perspectives, as well as collection of survey data by a major mail survey to gather basic information of CSR in Latvia. The step in this phase of the overall research program was an exploratory study of the literature on trust and corporate responsibility. The second phase involved a large field survey sponsored and supported by the Turiba School of Business Administration. This survey was designed and conducted over four years from 2003 to 2006. For this design, traditional survey methods were considered and used (Baines et al., 2004; Kroplijs, Raščevska, 2004; McNabb, 2002). The third phase involved a review and analysis of the survey results, additional investigations in the field, and follow-up library studies in Latvia and in the United States during 2005 and 2006.

Empirical in nature, this main function of this section of the ongoing study was to present of broad picture of CSR in Latvia. Other objectives included a review the evolution of CSR, personal values involved in implementing CSR, and the related economic costs and benefits. This information was later reviewed together with contextual observations and selected interviews in Latvia and in the United States. Conceptual background was developed with the help of literature survey of sources in English and Latvian. This was essentially a continuous review, started in 2003 and completed in 2006. References were prepared for the use of both English and Latvian readers.

Using the cluster method, the survey used mail questionnaires sent to 3,976 of the 150,000 enterprises in Latvia. Respondents were randomly selected from mailing lists
maintained by sponsors of the survey. About half were business executives or owners; the other half represented the general public; 987 businesses responded (53.67 percent). They represented 1.61 percent of enterprises officially registered in 2005. There was a higher rate of responses from businesses with 200 or more employees, and a lower rate from small and medium sized businesses. Limited follow-up interviews established a high probability that smaller business representatives did not respond because they felt the survey not relevant to them, or because of their own lack of understanding or involvement of CSR, or both.

FINDINGS

In Latvia during the last fifty years of the last century there has been a growing realization that ideas related to the increased interdependence of economic and other relationships should optimally be pluralistic (Berlin, 2001). Latvian ethical behaviors, confused, conflicting and uncertain, are partly guided by traditions, partly distorted by a collective memory of serfdom under alien overlords, partly by the negative phenomena of early industrialization (Balabkins, 2002). Moreover, they are also influenced by the still-widely held perception of entrepreneurs as ruthless exploiters of both labor and consumers. Business successes reported in Latvia are still measured in the simple terms of growth, new technology, and accumulating capital; the new entrepreneurs do not relate to conscious social responsibility.

Sentiments of Responsibility

Latvian sentiments of personal and social responsibility have roots in the traditional paternal ethics of independent farmers, artisans and entrepreneurs. These perceptions of essentially self-sufficient farmers did allow neighborly, cooperative collaboration, but
were in conflict with the collectivist values acquired in fifty years of Soviet rule. This event was most likely the most important, general influence on the evolution and the state of personal and social responsibility and trust in Latvia.

Selected Benchmarks of Priorities

For analytical purposes, the moral and ethical behavior theories of Kohlberg (Kohlberg, Turiel, 1971) were used to identify the stages of CSR attitudes in Latvia. Only one percent of the organizations included in the sample viewed CSR as an obvious, self-evident concept. Partial CSR programs were reported by 45 percent of respondents, while only 10 percent had adopted CSR programs completely.

Benchmark priority data in Table 2 suggests that respondents held tentative and uncertain notions of what should be the goals of social responsibility. Most of the 987 respondents did not indicate any social responsibility priorities. Most respondents did not understand or define social responsibility. A goal not normally associated with CSR was the vaguely defined Utopian notion of a decent life for everyone in a fair and just society.

Emerging Concepts

Interviews suggested that the operational concept was a general, seldom defined practice of "doing things right." As preconditions to CSR, this concept was easily linked to the functions of business culture as described by Garleja (Garleja, 2001). Although there was a general agreement on the nature of business culture, it was clear that a particular culture would be shaped by personal ethics and sense of responsibility of top management, as well as other, business considerations.

Personal Values and Ethical Attitudes
The attitudes of entrepreneurs in Latvia are best described in three groups, each with a different level of CSR. The first level includes entrepreneurs who feel that their only responsibilities is to serve their personal interests. Their compliance with conflicting public controls is best described as avoidance of penalties. They found no ethical difficulty in shifting private costs to the public. Their leadership was autocratic, and was characterized by straight search for personal benefits. They really had no use for CSR.

The second level includes business owners and managers who, in addition to common business activities, respect social norms and readily observe laws and the controlling regulations affecting their operations. When necessary, they explain their situation to the public. They negotiate with government agencies, mostly through industry groups. They see themselves and their firms as responsible and respectable corporate citizens.

Heavily influenced by values governing their operations, their critical attitude is inclined toward gradual, if not reluctant, change. They desire strict enforcement of laws and regulations, as well as public discussions of desirable actions to be taken. They do not necessarily trust or quickly approve all proposals for social improvement. Rather, they examine them analytically and with due care. They include managers and others who are influenced by a commitment to do things right, acting in accordance with their ethical norms and values of fairness and justice. These respondents are the principal supporters of substantial CSR; they are ready to pay higher prices and to tolerate their higher costs by shifting some profits to public benefits. They are also careful to balance their own interests with those of the public by supporting a range of socially responsible
programs, including the preservation of environment. Finally, they favor of establishing codes of ethics for business and industry behavior norms.

DEVELOPING A BALANCED CSR PROGRAM

CSR approaches adopted by ten of fifty leading organizations (20 percent). They ranged from specific, isolated public relations programs to complete CSR programs. Between them, a common approach was to tie limited CSR programs to business goals. A comprehensive approach was claimed by companies that were most sensitive to public opinion; these included distillers and breweries, banks, forestry, and similar public service company as the postal services. The management of these companies appear to realize that CSR is changing from a purely voluntary activity to a normal, almost mandatory, management function. The management tasks in those enterprises required close coordination of management actions with widely held values, and integrated operations.

One example of a successful balanced approach to CSR was that implemented by the Aldaris brewery and soft drink company. Management committed the firm to be a publicly responsible spirited company, devoted to supporting reasonable consumption patterns in the Latvian society. Another example was approach taken by the pharmaceutical firm Grindex. Their program reflected the private interests of the company as well as direct and indirect investments in public benefits associated with scientific research, medicine and health services, education and culture.

Obviously, private and public institutions were guided by many different social priorities. Given these various private and public priorities, limited means, as well as the problems where solutions could not be reconciled with each other, CSR took many
forms, all of which demonstrated the good citizenship of the corporation involved. In practice, implementation of CSR was of necessity focused on public relations.

**Reasons Why Firms Adopt CSR**

Three main reasons were given for adopting CSR. The first was as a reaction to the dictates of personal values of the company owners and corporate managers. The second was to have an improved alignment of the firm’s marketing objectives and policies with CSR. The third was also related to expected business success, including the enhanced reputation to increase competitiveness and to generate trust in the organization among clients, suppliers, and investors. More importantly, business respondents indicated that CSR, or the lack of it, was a business decision, not a personal decision. Social programs were generally considered to be as a responsibility of the government, not business.

In sum, the principal findings indicating that CSR in Latvia was at an early stage, and was characterized by the following:

- Lack of understanding of the nature and applicability of CSR.
- Confused and contradictory ethical values and attitudes about social responsibility.
- Excessive and exclusive preoccupation with internal costs and little concern for external damage.
- Inadequate attention given to local and international interdependencies.
- A wide range of concepts to guide CSR, including the traditional expectation to run a company effective and profitable in the market. In contrast, there were also expectations for more egalitarian standards of general welfare, and the notion that it was the responsibility of business to provide it.
• Diversity of CSR actions taken.
• Perceptions that CSR was adequate as long as company actions were profitable and legal.
• Undeveloped cooperation between private corporations, non-governmental organizations, and government agencies to achieve a better balance to increase both private and social benefits.
• Lacking long range plans and educational programs, CSR is, to a large degree, an effort of improving public relations.

IMPLICATIONS AND CONCLUSIONS
The practical value of this long study of trust and responsibility for managers is the identification of difficulties business in small or emerging economies encounter in implementing CSR policies and procedures. The introduction to ethical and more rational approaches to CSR are moving Latvia to a more pluralistic society where a variety of approaches to CSR will exist side by side.

Increased international and local interdependencies, technological improvements, and dramatic demographic changes are expanding the practical applicability of CSR. Management of CSR is in the process of becoming professional and getting better qualified. Planning and implementing CSR programs is now complex. Often sophisticated CSR programs in public relations require mutual trust and close cooperation of company management and a host of external consultants and advisers, teachers and researchers. The tasks are increasingly demanding. Professional CSR standards require, above all, that business does no harm to the public.
In Latvia, it can be expected that company managers, although informed about CSR, will continue to concentrate on traditional business goals. In this situation experts in sciences, accounting, economics, and policy making, all external to the company, are require education for the long, and training for the short term. The require unusually skills in communications based on a clear understanding of the principles and issues involved.

These interrelated and diverse professional responsibilities (Herbsts, 2006; Raulfs, 2006) are today well beyond the current public relations and managerial practices found in Latvia today. Under these circumstances, it is gratifying to both authors that CSR in Latvia is taking root. There are new training seminars, new academic courses and degree programs to build future professions. Further progress is helped by the relatively few, large international enterprises reflect the CSR traditions of the West; few small and medium sized local companies are actively engaged in one or more CSR functions. It is not yet clear what principal directions CSR will take in the future. It is, however, likely that the CSR function will involve more and more private and public in interrelationships in unprecedented and unpredictable ways.

To help firms in these emerging economies that are planning CSR programs, the following set of minimal CSR action priorities for a corporation has been suggested by British Telecom:

- Long term programs to build the reputation of the company as an ethical and good corporate citizen.
- Careful selection and development of employees to build a unifying, strong company culture in a diverse, tolerant society.
• Maximal use of technological advances to improve operations in service to the its
  customers and then general public.

• Programs to increase sales and market share that is consistent with the goals of
  ethical and trustworthy marketing, new product introduction, and appropriate
  concerns for the physical environment and other the external aspects of company
  and industry operations.

Conclusion

This paper described the first in an on-going program to identify the increasingly
important policy issues of citizen trust in business and government, and the efforts of
Latvian businesses and industries to resolve the crisis of trust that serves as a brake to
economic growth. It is anticipated that the findings will be of value in efforts to improve
 corporate performance in Latvia and the other former soviet republics, and for helping
organizations combat the crisis of trust so prevalent in modern society.

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About the Authors

**David E. McNabb** is a professor of business administration at Pacific Lutheran University. He has also served in positions of visiting professor at the Riga campus of the Stockholm School of Economics and guest lecturer at the Riga Technical University, and the American University of Bulgaria at Blagoevgrad, Bulgaria. He has also taught management and public administration for the Univeristy of marland-University College in Belgium, Germany, Italy, and the United Kingdom. Professor McNabb received a Ph.D. in administration and marketing from Oregon State University, an MA in communications from the University of Washington, and a BA in language arts from California State University-Fullerton. He is the author of two books on research methods for public administration, nonprofit organizations and political science. He is also the author *Public Utilities: Challenges for the 21st Century* and *Knowledge Management in the Public Sector*. He has published more than 60 conference papers and journal articles. His e-mail address is: mcnabbde@plu.edu.

**Gundar J. King** (Gundars Ķeniņš Kings in Latvian publications) received his Ph.D. in business from Stanford University, Dr. Habil. Oecon. from the Latvian Science Council, and Dr. Sc. (h.c.) from Riga Technical University. He is an active international member of the Latvian Academy of Sciences. As Professor and Dean Emeritus of the School of Business at Pacific Lutheran University in Tacoma, he does maintain a research interest in business and economic policies, managerial values, and related subjects. Among others, he is the author of five books for Latvian managers, and articles published in the *Estonian Business School Review*, the *Journal of Baltic Studies*, and the *Lituanus*, as well as the weekly *Laiks* and *Latvija-Amerikā*. His e-mail address is: kingga@plu.edu

**Andris Pētersons** received his M.A. in History, and M.S. in Public Administration from the University of Latvia. A doctoral candidate at the University of Latvia, he is a Docentin Communications, and the dean of the Public Relations Faculty at the Turība School of Business Administration in Riga. An experienced business journalist and editor, he is engaged in consultation and research with academic interests in communications, corporate social responsibility, and ethics. He is a business journalist and former editor with 14 years of experience, Pētersons is a frequent contributor to the Latvian business journals *Kapitāls*, and *Bilance*, as well as other Latvian business publications and TV programs. He can be contacted at: andris.petersons@turiba.lv
Is the kinder, gentler IRS a promise of the past?

Jeffrey L. Hamm, Ph.D.
Associate Professor of Accounting
University of Arkansas at Little Rock
Abstract

A ninety-two page report released on March 18, 1998 and entitled “Reinventing the IRS” was the culmination of a ten month study of the Internal Revenue Service (IRS). Announced changes included improved telephone service, internet resources, and the elimination of collection quotas. The report proposed hundreds of changes to create a “kinder and gentler” IRS. Kindness and gentleness have not resulted in increased tax collections. The “tax gap,” billions of dollars in federal taxes that go uncollected each year, has grown each year and is currently estimated at $300 billion. A 2006 report stated that the Administration is committed to reducing the tax gap. That commitment followed 2004 legislation enabling the IRS to seek private assistance with tax collections. Section 6306, created as part of The American Jobs Creation Act of 2004 (AJCA2004), permitted the IRS to hire private collection agencies (PCAs) to assist in the collection of federal income taxes. An initial collection effort was begun in September 2006 using three PCAs. Information on 12,500 taxpayers owing less than $25,000 was given to the PCAs. Taxpayers, practitioners, and even legislators have criticized the practice. Concerns include collection tactics, confidentiality, and fraud. Following an in-depth discussion of taxpayer compliance, IRS collection efforts, and public opinion, a taxpayer survey is proposed. The survey is designed to assess taxpayer attitudes about IRS compliance efforts in general and the use of PCAs specifically. Prospective results will be discussed.
Comparing Effectiveness of Classroom & Web-Based Delivery Methods: A Quasi-Experimental Pilot Study

Kenneth Wm. Kury  
Saint Joseph's University  
5600 City Avenue  
Philadelphia, PA 1931-1395  
Kkury@sju.edu  
484-222-1712

Irma S. Jones  
University of Texas at Brownsville  
80 Fort Brown  
Brownsville, TX  78520  
Irma.Jones@utb.edu  
956-882-7125

Janna B. Arney  
University of Texas at Brownsville  
Janna.Arney@utb.edu  
956-882-8975

Marvin Lovett  
University of Texas at Brownsville  
Marvin.Lovett@utb.edu  
956-882-7336

Abstract

This paper presents a pilot study that attempts to measure and compare the effectiveness of WBI and CI courses. A pilot study, grounded in the relevant literature, was conducted utilizing two Principles of Marketing classes: one, taught in a traditional classroom setting; the second, in a web-based setting. Student GPA was found to be an important indicator of success in the web-based course. Differences in instructional methods led to the finding that the classroom course was more effective than the web-based version. Implications for improving web-based course design and suggestions for future studies are made.
“Strategic Management of the School Brand”

Paper

By

VijayKumar Singh Dahima
Doctorate in Management Studies,
National Institute of Management,
Bombay, India.

E-mail: v_dahima@yahoo.co.in
Mobile: +91-22-9324446209
Address: B – 601 / 602, Gokul Concorde,
Thakur Village, Kandivali (East),
Mumbai, India. 400 101.
About the Author

“The best way to find yourself is to lose yourself in the service of others”
- Mahatma Gandhi

I have just completed my Doctorate in Management Studies (DMS) from the National Institute of Management, Bombay, India. (ISO 9001:2000 UKAS Certified International B - School). I have extensive experience of 13+ years of Pharmaceutical Brand Management and more than a decade of association with schools in a personal capacity.

Abstract

The definition of the word **Brand** is “a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of the competition”.
All schools have a unique name (NAME), a unique emblem (SYMBOL), a unique motto (LOGO), a unique anthem (JINGLE), a unique infrastructure and facilities (DESIGN) or a combination of these features.
With reference to the above definition of “brand”, **there remains no doubt that schools already exist as Brands.**
This paper involves an original theory that implements the principles of “Strategic Brand Management” to the field of elementary education.

Summary Statement

“**Strategic Management of the School Brand**” involves the design and implementation of the marketing programs and activities to build, position, communicate, measure and manage the school brand equity.

Key Phrases

Global Schools

Education formally is a social science that encompasses teaching and learning specific knowledge, beliefs, and skills. Good teachers in a given field use a variety of methods and materials in order to impart knowledge of a curriculum to the students at school. Informally, teaching is the process of learning how things work including numbers, reading and language that are taught by parents and other members of the student's culture.

A school is an institution and a place designated for education in the form of group learning among students, teachers, and staff. In most countries, the age level of students taught classifies schools: primary school for younger students and secondary school for older ones. Schools in the new age are becoming a larger and larger driving force in popular culture. It is not unheard of to hear of schools coming together to perform large tasks for current world events.

Although different countries have variations in the grade system but on general the educational institutes catering to primary and secondary education are termed as schools.

Brand

A brand is a collection of feelings toward an economic producer; more specifically, it refers to the concrete symbols for those feelings, such as a name and design scheme. Feelings are created by the accumulation of experiences with the specific product or service, both directly relating to its use and through the influence of advertising, design, and media commentary. A brand is a symbolic embodiment of all the information connected to a company, product or service. A brand serves to create associations and expectations among products made by a producer. A brand often includes an explicit name, logo, sign, color schemes and symbols, which are developed to represent implicit values, ideas, and even personality.

The definition* of the word Brand is “a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of the competition”.

*(Reference of the definition from “Principles of Marketing by Philip Kotler and Gary Armstorg”)*
**Brand equity** is the value of the brand, based to the extent to which it has a high brand loyalty, awareness, perceived quality, strong brand associations and other assets.
*(Reference of the definition from “Principles of Marketing by Philip Kotler and Gary Armstrong”)*

**School as a Brand**

- All schools have a unique name (NAME),
- All schools have a unique emblem (SYMBOL),
- All schools have a unique motto (LOGO)
- All schools have a unique anthem (JINGLE),
- All schools have a unique infrastructure and facilities (DESIGN).

With reference to the above stated and all known definitions of “brand”, there remains no doubt that schools already exist as Brands.

**Research Survey**

The management of a school spends a lot of its resources for building the school image. There is a constant need to move towards a position, which would reflect the image of the school far better than those from that of the competition are.

The concept of the image building is actually an exercise in building and management of the “School Brand Equity”. Although this is an extremely significant exercise yet there is a meager attempt, if any, by the management to innate any logical process of the “Strategic Management of the School Brand”.

I felt the need to carry out an extensive research survey to collaborate this observation. A questionnaire was prepared, which served as an instrument in collecting information, from varied members of school’s staff and parents. The information collected related to the perception and projection of the core attributes of the school, in the staff member’s / parent’s point of view.

There were five salient questions asked in the questionnaire, viz.,

1. The core attributes of the school as depicted from their guiding principles incorporated in their motto, “alma mater”, school song, school anthem or the school jingle.
2. The core attributes of the school as perceived by the member of the staff or the parent.
3. The core features / facilities provided by the school from the viewpoint of the staff member or the parent.
4. The core attributes of the school that differ from those of the competitors within the same category.
5. The core attributes that are desirable to be projected as the guiding principles for the school.

There was an overwhelming response to the research survey. The response came from various parts of the world, from countries like US, UK, Canada, Italy, New Zealand, Jordan and from more than 7 states in India.

Observations

Various observations were made after thorough analysis of the survey. The salient observations are:

- The attributes mentioned in the motto, song, anthem or jingles are idealistic and/or abstract in nature.
- The attributes specified in the motto, song, anthem or jingle are not entirely compatible with the school’s salient features / facilities.
- The salient features / facilities mentioned are mostly unique to an institution, yet little attempt is made to incorporate them as the school’s brand mantra, as described with details in, Section III – Chapter 15.
- Most responses have listed detailed, unique features that differentiate them from their competitors in the same category. Again little attempt has been made to incorporate these salient features in the school’s brand mantra.
- With reference to the query on the desired school image, it is observed that there is an unsuccessful attempt to innate a logical process for the strategic management of the school brand.

Conclusion of the Survey - The Theory

The observations of the survey provided a clear thrust to my belief based on my extensive experience of 13+ years of Professional Brand Management and more than a decade of my personal association with schools. I strongly believed that there was a dire need for research in the “Strategic
Management of the **School** Brand”. I would like to emphasize that this theory may also be broadly valid for any type of global educational institutes, like Universities and Colleges, although further research may be required for the same.

“**Strategic Management of the School Brand**” involves the design and implementation of the marketing programs and activities to build, position, communicate, measure and manage the school brand equity. In my theory, the strategic management of the school brand can be explained in five sections, as follows:

**SECTION I – INTRODUCTION TO THE GLOBAL CONCEPT**

**SECTION II – BRAND BUILDING**

**SECTION III – BRAND POSTIONING**

**SECTION IV – MARKETING COMMUNICATIONS**

**SECTION V – BRAND EQUITY MEASUREMENT AND MANAGEMENT SYSTEM**

Through these sections, I have provided steps to:

1) Identify the existing school brand,
2) Build on the existing school brand,
3) Identify and establish school brand positioning and values,
4) Plan and implement various options of marketing communications for the school brand,
5) Measure and interpret the school brand equity through tracking studies,
6) Establish a school brand equity management system,
7) Outline the responsibilities involved in the management of such a system,
8) Recommend steps involved in the implementation of my theory.

Most management have been aggressively engaged in the school’s development of attributes and image building. There remains an urgent need to apply management science and principles for the design and implementation of the marketing programs and activities to build, position, communicate, measure and manage the school brand equity. My theory is a mean to achieve this.
Theoretical Underpinnings

The field of Education Management has been governed by traditionally ‘experienced domain specialists’ who were teachers at some point of time or individuals who chanced to be associated with the field in some capacity or the other. Such individuals were driven more by the sense of social commitment and the noble cause of ‘managing’ an educational institute. Until very recently the education sector was not considered as a part of the business domain that should be professionally managed. Thus, there were none or very few attempts to apply scientific principles of Management to the field of “Education Management”. It is thus obvious that this area of specialization that is in its infancy finds little research carried out presently.

On this background the thesis has ventured into unexplored territory of “Strategic Brand Management” in the field of “Education Management”. The conclusions drawn and recommendations made at the end of the thesis can form a model LOA (Line of Action) for educational institutes, world over. Looking at the emerging scenario in the education sector, it seems plausible that every proactive organization managing educational institute/s will employ a professional Brand Manager to evolve and execute a branding strategy in order to withstand the competition in an open market.

Post-Doctoral Research

There is a significant aspect that can be derived from the theoretical underpinning stated above that would require a special mention. There is a dire need to introduce “EDUCATIONAL MANAGEMENT” (Patent) as an integral part of the Management Science.

As a part of the post-Doctoral research, I plan to develop a module that would serve to guide the introduction of management principles as a Management Program for the field of Education. This would usher the program of “Educational Management” (Patent) on par with other fields of Management.
ERP IMPLEMENTATION IN INDIA: AN EMPIRICAL STUDY

Jaideep Motwani*
Asli Yagmur Akbulut
Department of Management
Seidman College of Business
Grand Valley State University
Grand Rapids, MI 49504
Phone: (616) 331-7467
E-mail: motwanij@gvsu.edu, akbuluta@gvsu.edu

Zubair Mohamed
Department of Management & Information Systems
Gordon Ford College of Business Administration
Western Kentucky University
Bowling Green, KY 42101
Phone: (270) 745-6360
E-mail: zubair.mohamed@wku.edu

*Contact Author

Abstract

In India, majority of companies have had nothing but disaster with Enterprise Resource Planning (ERP) implementation projects. In this study, by means of a case study we examine the generic and unique factors that affect ERP implementation success in India. We believe that the comprehension of these factors will deepen the understanding of ERP implementations and will help avoid implementation mistakes, thereby increasing the rate of success.
ERP IMPLEMENTATION IN INDIA: AN EMPIRICAL STUDY

Introduction

The myriad challenges faced today by global businesses are expected to grow in intensity and complexity as we go further into this century. Expanded global competition has become the norm rather than the exception, with an unprecedented number and variety of products available to satisfy consumer needs and desires. In particular, many firms have implemented company-wide information systems called Enterprise Resource Planning (ERP) systems. Through cross-functional integration, ERP systems help businesses improve their productivity and customer service while lowering costs and inventory levels. Several studies (DeLone and McLean, 2003; Markus et al., 2000) have concluded that organizations implementing ERP systems can expect transactional, informational as well as strategic benefits. Hence, ERP systems hold the promise of providing companies with greater competitive advantage.

The inherent appeal of ERP has not gone unnoticed in Asia (Xue et al., 2005). Indeed, recent years have witnessed a dramatic increase in the adoption and diffusion of ERP systems in India. The transfer of information systems like ERP systems, which are typically developed in industrialized countries, to developing countries is often marred by problems of mismatch with local cultural, economic and regulatory requirements (Molla and Loukis, 2005).

Considering that most ERP systems are designed by Western information technology (IT) professionals and the structure and processes embedded in these systems reflect Western culture, we assume that fundamental misalignments are likely to exist between foreign ERP systems and Indian companies whose existing structures and processes are largely determined by the Indian culture. These factors can result in undesirable design—reality gaps, which tend to lead to underperforming systems (Heeks, 2001; Walsham, 2001). According to Recht and Wilderom (1998) “… tools transferred from one country to a specific enterprise abroad suffer a double-layered acculturation: the technology is confronted with a foreign national and alien corporate culture…” Indian culture is quite different from those of Western countries in terms of the four dimensions of national culture developed by Hofstede (2001). Particularly, the dimension of uncertainty avoidance is highly relevant to information system implementation. Therefore, there is a need of research to examine generic and unique factors that affect ERP implementation success in culturally different contexts.

The purpose of our study is to investigate the general and unique factors (both cultural and non-cultural) affecting ERP system implementations in India. We will first briefly discuss the existing literature on ERP system success. We will then focus on the implementation of an ERP system at an Indian company and identify the factors that facilitated or inhibited the success of the ERP implementation.

There is very limited research on ERP implementations in culturally different contexts. We believe that the findings of our study will assist both practitioners and academicians to better understand and prepare for ERP implementation projects. By focusing on these issues that are vital for a successful implementation; global executives, managers, and decision makers can utilize organizational resources in the best way and minimize potential problems associated with these large scale system implementations.
The study will provide important insights to researchers investigating global information systems and associated business models. Educators can also utilize this study in the classroom to discuss the most recent and important issues, concepts, trends in the field of global information technology management.

**Literature Review**

There is a growing body of literature in the information systems domain that focus on identifying the critical factors for successful ERP implementations. For example, after an extensive review of the relevant literature, Esteves and Pastor (2000) created a unified critical success factors model for ERP implementation projects. Parr and Shanks (2000) built a phased project model consisting of planning, set-up, and enhancement phases and then identified the critical success factors that are important within each phase. Umble et al. (2003) identified success factors, software selection steps, and implementation procedures critical to a successful ERP implementation. Tatsiopoulos et al (2003) proposed a structured risk management approach for successful implementation of ERP systems, and examined its application. Based on a case study, Motwani et al. (2005) identified the factors that facilitated the success of ERP implementations. The authors also examined the factors that initially inhibited the success of the implementation process and explained how these barriers were overcome.

Most of the existing studies that investigate the success factors for ERP implementations focus on the projects that have been carried out in North America and Western Europe (Davison, 2002). However, more recently, recognizing the fact that natural culture can impact the adoption and successful implementation of ERP software, researchers have started to examine the ERP implementations in other countries, particularly in Asia. For example, Martinsons (2004) investigated the ERP implementations in China and concluded that there was a poor fit between ERP systems and traditional Chinese management systems. Davison (2002) compared educational ERP system implementation practices in North America and Hong Kong. Soh et al. (2000) discussed the cultural misfits of ERP packages from a Singaporean perspective. Lastly, Molla and Loukis (2005) identified two main sets of culture in any ERP situation: development or system culture, and implementation and use or host culture. According to the authors, system culture is a culture embedded in the ERP software reflecting the views of the ERP developers, vendors and consultants. On the other hand, host culture is a culture reflecting the views of the implementing organization’s project team, managers and users. The authors also presented a framework that allows analysis of these two cultures and their impact on ERP success and failure.

Prior studies (Davidson, 2002; Soh et al., 2000; Zhang et al., 2003) have also identified the following cultural problems associated with ERP implementations: (1) different beliefs in providing access to information, (2) difficulties in reengineering organizational processes, (3) incompatibilities in processing procedures required, (4) incompatibilities in terms of data format, and (5) incompatibilities in the presentation format and the information content of reports.
Case Analysis

Background of Case Company and Identification of Business Need

The case involves the implementation of an ERP package at an OEM supplier in India that has its own brand of indoor air conditioning units. The information for this case study was obtained from secondary sources, mainly the Internet. The case company operates in a highly competitive business environment, which is typified by seasonal demand patterns and high requirements during festivals. The company has five operational manufacturing units and is heavily dependent on seasonal demand cycles. In order to handle demand fluctuations, gain better inventory visibility, reduce inventory levels, and provide effective analysis and forecasts, the company decided to move to an integrated information system. Another important reason behind this decision was to the intense competition from Chinese products. Due to the onslaught of competition from low-priced Chinese products, the company had to scale up its operational efficiency to support its growth targets. Defying the traditional myth that ERP is only meant for large enterprises, the company chose to implement an ERP system.

After considering several ERP solutions, the decision was taken in favor of SSA Baan ERP IV. The solution provided everything the company was looking for: robustness, close fit with the business requirements, and cost-effectiveness. One of the key concerns during the vendor and package selection was the time necessary to adopt new information architecture and the disruptions that could arise in the organization's operations during this period. None of the vendors the other ERP vendors that were evaluated (SAP, Oracle and a few local ERP players) could promise the delivery of implementing an ERP system within two months of its lean production period. In addition, cost was another deciding factor that tilted in Baan’s favor.

Since the need of the hour was to install and get the system running in the shortest possible time frame, the company chose the most experienced consultants for implementation, following the advice of SSA Baan. The company implemented the Manufacturing, Finance, and the Distribution modules of SSA Baan ERP IV. The Manufacturing module provides functionalities like Master Production Scheduler (MPS), Material Requirement Planning (MRP), Shop Floor Control SFC), Production Planning (PP) and Control, and Capacity Requirements (CCR). Under the Finance module, the solution delivers functionalities like General Ledger, Accounts Payable and Receivables, Costing, Budgeting, Fixed Receipts, and Taxation. The distribution module includes Purchase Control, Inventory and Sales and Marketing functions.

Critical Factors Contributing to ERP Implementation Success

The company’s initiative for the ERP system came from both top and mid-level management and they took a strategic approach to their ERP implementation efforts from the start. Prior to ERP implementation, the company had done an extensive background work in terms of requirements assessment, outlining the needs and objectives, and the kind of solution required. Top started the preparations eight months prior to the beginning of the implementation. As a part of this process, they focused on three key issues,
including the gathering of business data, the setting and follow up of business policies, and establishing standard business practices that the application will handle.

With top management being directly involved in day-to-day activities of the implementation, the decision-making cycle was considerably shortened, as there was no time wasted in accessing the different hierarchies for the decision to be taken. Other issues that lead to successful implementation included: (1) Setting up regular meetings, involving top management, for resolving contentious issues, (2) Ensuring completion of mapping and master data for remote sites through effective project management and coordination, (3) Conducting proper documentation of processes for effective knowledge transfer, (4) Streamlining and changing non-standard practices and procedures using SSA Baan ERP procedures, BPR, and change management techniques, and (5) Very effective and logical system-testing that gave sufficient confidence to the company to completely switch over to SSA Baan ERP rather than following the normal practice of using the legacy system simultaneously. This also helped prevent duplication of data entries.

The ERP implementation eliminated the information islands that were scattered across the company’s business units and replaced disparate systems with a single one. One of the major benefits of deploying ERP at the company has been the increased effectiveness of the inventory control function. After the implementation of the ERP system, the company is now able to maintain the right inventory levels for all its product lines, avoiding both excess inventory and running out of stock. Also, the visibility of inventory across different units has helped the organization to make better-informed decisions. The company can now deliver the shipments on time and successfully keep its commitments to the customers.

Conclusions and Recommendations

Companies that have or are in the process of implementing ERP systems, especially in developing countries, have realized that these systems require vast resources. A single license for these software packages (such as The Baan Co., J.D. Edwards & Co., Lawson Software, Oracle, PeopleSoft Inc. and SAP AG) can cost thousands of dollars per seat. However, the real expense is in building an IT infrastructure that supports the complex applications and in hiring and retaining experienced programmers to customize and maintain the applications. Companies are realizing that spending 10-20 million dollars in building data centers and eight months implementing a full ERP solution is hardly feasible.

In India, majority of companies have had nothing but disaster with ERP implementation projects. The three major reasons for failure of ERP in Indian companies are as follows. First, traditional departments in India depend more on IT professionals rather than business professionals for commercial software development, whereas ERP systems place more emphasis on the domain knowledge of the functions rather than IT skills. Second, the work culture in India in most organizations is different from that in Western countries that have created and successfully implemented ERP systems. Indian culture is more authoritative instead of participative. In India, managers prefer to withhold information rather than making the information transparent and available to everybody, which an ERP system requires. Third, an ERP system implementation is expensive. In addition to the hardware and software costs, there are other costs
associated with an ERP system implementation, such as training costs, data creation costs, etc., which if not properly realized during the planning process can lead to ERP implementation failures.

Our findings support the conclusions of Davenport (2000) that “A well-planned and well-executed ERP implementation, in conjunction with a good change management program, can create a dramatic turnaround for the company.” In our case, the management of the Indian company was very aware of the cultural reasons why ERP initiatives have failed in India and made it a point to make the necessary adjustments in their strategies, processes, and approaches to ensure success. A senior manager stated that if they had not done their initial research on ERP success and failures; they would not have been prepared for ERP implementation and the implementation would have been a total failure.

Based on the results of our case analysis, we can conclude that there exist some common underlying threads that are critical for ERP success (See Figure 1). These threads or critical factors are consistent with the findings of prior research studies and are not culturally bound. First, according to Lee (2000), top management needs to publicly and explicitly identify the ERP project as a top priority. In this case, the company implemented a well-planned strategy. As such, they were more successful as the top management was able to develop a shared vision of the organization and to communicate the importance of the new system and structures more effectively to their employees. Second, a clear business plan and vision to steer the direction of the project is needed throughout the ERP life cycle (Amin et al. 1999). The case company had a clear business model of how the organization should operate behind the implementation effort. Third, the composition of the project team is crucial and must convey the strong will to ensure the representatives of the various company functions (Brown and Vessey 1999). The project team, in the case study company, did include the representatives from the main processes of the company. Fourth, project champion is critical to drive consensus and to oversee the entire life cycle of implementation (Bingi et al. 1999). In the case study company, a high level executive sponsor was selected as the project leader. Fifth, according to Holland and Light (1999), organizations implementing ERP should work well with vendors and consultants on software development, testing, and troubleshooting. In this case study, the project teams worked very closely with vendors to obtain inter-organizational linkages. Lastly, the progress of the ERP project should be monitored actively through set milestones and targets. According to the experts interviewed, process metrics and project management tools and techniques were used to measure progress against completion dates, costs, and quality targets.

Managerial Implications and Future Trends

In sum, we strongly believe that the future trend is going to focus on outsourcing services for ERP packages, which include manufacturing, human resources, distribution and financial applications. The business prospects for off-site ERP application hosting are enormous. A big advantage in favor of outsourcing is that it allows the company to focus on the company's core mission rather than fiddling with ERP software (DePompa, 2003). However, in order for these outsourcing initiatives to be successful, ERP vendors must develop and deliver products that can scale over the Web and iron out the security issues.
References


Figure 1: Critical Factors Contributing to ERP Success
Globalization brings about a greater interdependence among nations. This interdependence is evident in the merchandise trade patterns of the emerging Asia Pacific region. Durable and non-durable merchandise goods exports from the region have grown by more than 60 percent in the last five years.

This region is challenging the manufacturing dominance once held by North American and European states. Asian countries hold approximately fifty percent or greater world export market share in areas such as industrial and electrical machinery, furniture, toys and games, apparel, and leather goods. With this growth also comes an increase in energy consumption, primary resource use, and purchasing power.

This presentation will review the manufacturing trade trends by industrial sector of the Asia Pacific region overall and various countries within the region over the last decade. Trade with the United States and Europe by sector will illustrate the extent of Asian dominance in major international markets.
Presentation title: Leadership, Change and People Management, and Continuous Quality Improvement: A Practical Approach to a Paradigm Shift in Healthcare

Abstract: When faced with the need for a change in practice, how does the front-line manager approach the topic? Where does one begin beyond the recognition of the need for change? What tips and tools does the new and or less experienced front-line manager need to move the process forward? How does the manager “manage” the people that implement the change?

This presentation describes a definitive approach through a continuous quality improvement process to substantiate the need for change, develop an action strategy, and implement as well as monitor the change activities and results. It describes a model for implementation of evidence-based practice (EBP) in the clinical healthcare setting, one that is practical and useful. It speaks the language of both managers and educators, providing practical “how-to” information in a relatively simple and straightforward manner. The presentation approaches the model from the perspectives of change management, people management, leadership and managerial roles, adult learner needs, and continuous quality improvement. It provides a theoretical framework to understand managerial perspectives on change, leadership responsibilities with change, and the usefulness of continuous quality improvement in identifying and monitoring the change process.

The speaker will ground the presentation in structure and theory, but she will also provide materials to demonstrate training tools, lessons learned from practical application, factors for success, and recommendations. Since many of the techniques have application beyond the healthcare arena, the speaker will discuss the applicability of her observations on implementation from a theoretical and practice framework. Managing change is about managing people, including the need for buy-in, empowerment, support, and communications. With an opportunity to exchange ideas, the speaker will encourage participants to discuss their points of view, perceived barriers to this topic, and what has worked when applying change and people management techniques by those with experiences to share.
Course objectives

By the end of the presentation, the learner will do the following:

1. Understand various perspectives on change, change and people management, and challenges/success factors for change.

2. Appreciate leadership theories, models, and roles, managerial perspectives on facilitating the change process, and the use of continuous quality improvement related to change.

3. Gain exposure to various training and monitoring tools for change and continuous quality improvement.

4. Understand the lessons learned and factors for success with recommendations from practical application of a working model.

Selected references


Presentation content and timing (15 minutes)

1. Introduction to and overview of presentation

2. Change perspectives
   
   2.1. Drivers of change
   
   2.2. Classic change models
   
   2.3. Success factors for change
   
   2.4. Challenges to change/resistance
   
   2.5. Moving forward strategies
   
   2.6. Reasons for failure

3. Leadership and managerial perspectives

   3.1. Ways of looking at leadership
   
   3.2. Managers versus leaders
   
   3.3. Leadership influences on management practices
   
   3.4. Problems in leadership

4. Implementation of EBP, a change model, and monitoring

   4.1. Need for change approach
   
   4.2. Preferences of adult learners
   
   4.3. Roles and responsibilities of leaders
   
   4.4. Knowledge and application of topic
4.5. Training tools and resources

5. Managerial analysis (leadership, continuous quality improvement, change and people management)

5.1. Lessons learned

5.2. Recommendations
Inflation Breakeven Rate

Linda Yu

Assistant Professor of Finance
Department of Finance and Business Law
University of Wisconsin Whitewater
800 West Main Street
Whitewater, WI 53190
Tel: 262-472-1880
Fax: 262-472-4863
qyu@uww.edu

Abstract

Inflation breakeven rate refers to the difference between the nominal yield on a conventional bond and the real yield on an inflation-indexed bond of the same maturity. It has been used extensively as a tool to obtain the expected inflation. Since the introduction of Treasury Inflation-Indexed securities (known as TIPS) in 1997, many studies have been done by utilizing this newly available proxy for real interest rate. The current study derives the nominal and real interest rate term structure by using trading prices of Treasury STRIPS and TIPS with constant maturities. The inflation breakeven rate is then compared to the inflation expectation survey data published by the Federal Reserve Bank at Philadelphia. Although inflation breakeven rate is constantly lower than the mean expected inflation, it is well within the maximum and minimum expectations of the professionals. Empirical evidence suggests that investors are pessimistic and tend to overestimate future inflation.
The Participations of Entrepreneurs in the Global Market

Semere Haile, Grambling State University
hailes@gram.edu
Marcus Jones, Northwestern University
marcusj@nsula.edu
Diana Oubre, Grambling State University
oubredt@yahoo.com

Abstract

In this changing global marketplace, a growing policy and research interest on the topics of entrepreneurship is felt across all organizational types: academics, business people, and governments. Entrepreneurs and small businesses are no longer limited to domestic markets. In fact, it is becoming a must for locally oriented entrepreneurs to participate and compete in the international market (Wright & Ricks, 1994). This paper discusses the emergence and participations of entrepreneurs in the competition in the global marketplace. Competitive markets have become features of most successful economies in developed countries. However, understanding what this global competition is and what it means for policy in developing countries has not been debated as much as it should have been. The paper is organized in three sections: (1) discussions of the review articles of the entrepreneurial issues in the global market, (2) presentations and discussions of the review results, and (3) discussion of ways to enhance future research efforts in light of the review findings.

Introduction

With the globalization of the world economy, interest in international entrepreneurship has rapidly increased over the past decade. Each year thousands of small and mid-sized businesses are actively engaged in the global market and are increasingly becoming a profitable and popular strategy for many entrepreneurial ventures (Zahra et al., 2001; Wright & Ricks, 1994). Due to the changing global marketplace and the increase in entrepreneurial companies “…the research paths of international business and entrepreneurship are intersecting with increasing frequency” (McDougall & Oviatt, 2000). Accordingly, even though the ideas of international business and entrepreneurship have been prevalent, they have not crossed each other enough in the past years.

The definition of the concept of international entrepreneurship has changed many times over the years, but now includes for-profit and non-for-profit businesses. It is accepted that entrepreneurship has at least two parts: (1) an activity, and (2) the attributes that set this action into motion. It also consists of three dimensions: innovation, proactive behavior, and risk-seeking action. In perspective, the international entrepreneurship concept is better defined as “…a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations” (McDougall & Oviatt, 2000).
In this case, both McDougall and Oviatt and few others have laid the groundwork for the study of global entrepreneurship. They have led the way to the study of enterprises that are international from their inception. McDougall showed that global start-ups significantly differ from their domestic counterparts in terms of strategy and industry structure. However, it is not clear how global start-ups can be assisted to lead to competitive advantages, as many of the national governments around the world are striving to improve their living standards. There is a need for refreshing and critical examination of the key role that entrepreneurship plays in generating innovative activity and economic growth in developing countries. Competitive markets have become features of most successful economies in the developed countries. However, understanding what this global competition is and what it means for policy in developing countries has not been debated as much as it should have been. Also, there has to be a discussion on the emergence of the entrepreneurial economy for the public, explaining the key contribution that entrepreneurship policy makes to economic growth, employment, and competitiveness in the global market.

Entrepreneurship has been acknowledged as a significant factor in national economic growth and development for a long time. New business activities can be established in all countries. However, national differences still exist. There are business practice differences among countries in the rate of new business start-ups. Studies indicated that the proportion of adults involved in starting a new business in the United States, for example, is currently five times the proportion found in Sweden and ten times the proportion found in Japan. In seeking to develop an understanding as to why rates of entrepreneurship vary between countries, researchers have also addressed national differences in entrepreneurial orientation as well as national political/legal, economic, and social contexts (Baughn & Neupert, 2003; Lee & Peterson, 2000).

Globalization trends, including less trade barriers and better, less open communication technology, have facilitated the change of focus between international business and entrepreneurship in recent years (where as international business traditionally focused on large multinational companies and entrepreneurship has focused on start-up companies). Entrepreneurs almost have to think about expanding their businesses to seize opportunities in global markets. Early internationalization has proved to be a successful strategy for some small and medium firms (Madisen and Servais, 1997). These firms are seeking to derive significant competitive advantage from the use of resources and the sales of outputs in multiple countries (Oviatt & McDougall, 1994). All these opportunities are made possible by the use of efficient, worldwide communication, technology, and transportation for international competitive advantage. Now, developing nations are improving the conditions within their countries by seeking new business opportunities through technological ventures.

Entrepreneurship researchers have been focused primarily on the processes involved in new venture creation (e.g., start-up, marketing, or marshalling resources) and the management of small and medium sized businesses domestically (McDougall & Oviatt, 2000). Other studies have also focused on the significance of small and medium-sized businesses in their ability to provide employment, innovations, variety, self-fulfillment, growth, etc. (Andersson & and Wictor, 2003). Furthermore, other studies have examined how small and medium-sized businesses are showing an increasing interest in international development (Andersson, 2000; Bell, 1995). This
internationalization of entrepreneurship is setting countries at a competitive advantage through entrepreneurial innovations (Simon, 1996). However, emerging into the global market entails many risks and challenges for firms. Therefore, being knowledgeable about firms’ global venture and being able to adapt its operations to the competitive environment is essential to its success.

**International Entrepreneurship for Global Competition**

The globalization of business implies both improved competition and co-operation between businesses in order to acquire a stronger position in the global market (Chile & Faulkner, 1998). The challenge for managers leading their organizations into global ventures is how to locate a balance between competition and cooperation and to manage the tensions inborn to business relations that cross national and cultural boundaries (Dahles, 2005). Dahles examined whether increased investments by Singaporean Chinese businesses abroad and in China, in particular, are linked to: guanxi, which are ethnic ties and shared cultural values, capitalist profits seeking, or government interventions. Dahles concluded that the Singaporean model shows that individualized (guanxi-based) strategies of business cooperating represents a meaningful way to relate to business partners and organizations in a balancing act between cooperation and competition in a global market (Dahles, 2005).

Entrepreneurs and small-size businesses are not limited to domestic markets only. The locally oriented entrepreneurs are considering participating in the international marketplace to reflect these new realities (Wright & Ricks, 1994). In doing so, entrepreneurship can involve innovative action that exceeds beyond domestic business to take advantage of global market opportunities, or situations that have the potential to provide additional beneficial outcomes (Cremer, et al., 2001). For small firms, these opportunities are typically exploited through exporting, which is selling products to another country (Wilkinson, 2006). For example, the world market is potentially much larger for small businesses than the United States alone. In spite of the potential, however, most small businesses still do not think internationally. According to the U.S. Department of Commerce, only a small percentage of small businesses export, even though the number of small exporters has tripled in the last decade. In fact, in the past five-years, the value of small-businesses exports has increased by 300 percent (www.sbea.org).

Entrepreneurship appears to be more compatible with some cultures than others. There is a relationship between cultural values and entrepreneurial activity (Lee & Person, 2000). Companies may form a partnership to overcome these constraints. Selecting the “right” partner is one of the most important tasks in partnership selection. The selection process should consist of choosing a partner that is innovative, possesses management expertise, and that will bring new ideas and knowledge to the company. Selecting the wrong partner can cause the company to make bad decisions and choices, which may result in the end of the partnership as well as the company (Cavusgil & Evirgen, 1997).

Since entrepreneurs are now competing globally, they realized that “global thinking” is important because today’s consumers can select products, ideas, and services
from many nations and cultures. Entrepreneurs who expand into foreign markets must be global thinkers in order to design and adopt strategies for different countries (Kuratko & Hodgetts, 2007). Shared information on entrepreneurship is occurring differently in other countries. In particular, there is no distinction between entrepreneurship and business in developing countries. Entrepreneurship researchers have studied cross-border activities and form multi-country research teams. The teams are designed to identify and learn entrepreneurial issues across multiple cultures. In doing so, each team can learn much from the other culture (McDougall & Oviatt, 2000).

The stage of development from a small national company to a multinational corporation has been an area of growing research interest (Bilkey & Tesar, 1997). This growing research on the stage of development, is mainly focused towards different establishment sequences in terms of markets and several modes of entry over a period of time. It is important for a firm to be knowledgeable of the global market in which it intends to expand. The company needs to know about the country’s economic and political environment and needs to obtain an understanding of the culture in order to grow and compete in that market (Autio & Sapienza, 2000). Also, there are other factors that prevent or disturb the flow of information between and from the market. These are differences in language, level of education, levels of industrial development, etc. (Andersson & Wictor, 2000). Having little or no knowledge of the culture of the country could be detrimental to the growth and success of a company. Since the company may hire people from that country, it is important to learn their language and customs to avoid differences in the workplace. Possessing an existing knowledge of working in a foreign environment is essential for success (Autio & Sapienza, 2000). Moreover, other companies that are emerging into the global market are faced with many barriers or challenges that can hinder their success. These barriers or challenges include: insufficient knowledge about the customers and the market in which they are emerging, weak financial resources to support growth, and poor skills in globalization and marketing (Varis, et al., 2001).

**Innovation and Entrepreneurial Activity for Economic Growth**

There is a wide agreement that innovation and entrepreneurial activity are the drivers of long-run economic growth (Grossman & Helpman, 1994). Those who make this argument define innovation broadly to include not just new products, but also new processes, new organizations, new management practices, and new strategies. In the United States, for example, entrepreneurship is available to everyone. In fact, the history of the United States is the history of its entrepreneurs. Consider just a few of the many entrepreneurs who have helped shape the American economy. The economy of the United States had benefited greatly from a high level of entrepreneurial activity, which has resulted in rapid innovation in products and process. For example, companies such as Cisco Systems, Dell and Microsoft, Apple Computer, Starbucks, etc., created significant economic value by helping to commercialize innovations in products and processes. Thus, one can conclude that if a country’s economy is to sustain long-run economic growth, the business environment must be conducive to the consistent production of product and process innovations and to entrepreneurial activity (Hill, 2007).
Another example is in the case of Poland. The economy of Poland is benefiting from the high level of entrepreneurial activity. The Poles are entrepreneurial and more than 1.5 million small and mid-size companies have established since 1989 in Poland. Foreign investors are arriving in Poland and its gross domestic product (GDP) is growing by 3.2 percent, which is faster than the old EU countries’ rates. Poland’s productivity has increased by over 3.7 percent in 2004, which was over twice the average of EU. These facts present a positive picture, even though their bureaucracy is considered one of the worst in Europe (Fairlamb & Turek, 2004).

A country that has considered innovation and entrepreneurial activity highlight the advantages of a market economy (Hayek, 1989). In a market economy, such as in the United States, any individual who has an innovative idea is free to try to make money out of that idea by starting a business (by engaging in entrepreneurial activity.) For example, millions of people from all over the world have taken the entrepreneurial challenge and succeeded in the United States. For example, the number of Hispanic-owned businesses in the United States in growing three times the national average (Williams & Kang, 2006). Thus, market economies contain enormous incentives to develop innovations. However, in a planned economy, the state owns all means of production. Consequently, entrepreneurial individuals have few economic incentives to develop valuable new innovations. Under a planned economy, it is the state, rather than the individual, that captures most of the gains. Hence, both individuals and businesses must be given the opportunity to profit from innovative ideas (Hill, 2007).

Studies have shown that young companies that emerge into global market at an early age are able to adapt more quickly to that market and become more dedicated to it, as compared to older companies that have decided to expand globally. Since they are new to the market, young firms are able to obtain more knowledge about the global market to make unbiased decisions and take more risk. As a result, their responses to any problems faced are not standard. Since young companies have not yet established any domestic relationships, the company would make the global market its priority, therefore placing more effort towards its growth and success. In contrast, older companies have already established their relationships with domestic partners and would therefore prioritize their domestic markets. The older firm may also see a global market as more costly and risky to them, and may decide to remain in the domestic market (Autio & Sapienza, 2000).

One of the risks of expanding globally is the effect of limitability on the growth of the company. Imitability is defined as the ease with which a company’s technology can be easily replicated by outsiders. As a firm moves into a foreign market its processes could be easily duplicated by its competitors, which could hinder the company’s growth. A company should be aware of this risk and acquire proper legal protection against it. Although there are many opportunities and benefits to be obtained from global expansions, a company must consider such factors as: acquiring an understanding of the country, such as its culture and economic environment, legal protection against imitability, the effects of age when entering the global market. By considering these factors the company would be able to grow and succeed in the global market (Autio & Sapienza, 2000).

The perception on entrepreneurship has been from both individual and corporate perspectives. An entrepreneurial mind-set fundamentally involves awareness to discoveries and the ability to take hold of opportunities. Success in recognizing strategic
opportunities or options is the result of effort and luck combined with alertness and flexibility. It is also necessary to unite entrepreneurship and strategic management perspectives when explaining sources of wealth creation (Jantunen et al., 2005). For a company to be successful in global market, it also has to settle its processes and structures to compete in the changing global environment. The company would have to change its management style, its practices, and structure to function effectively in the global market. For example, the local company’s management style may not be appropriate to apply to its subsidiary company abroad because of the differences in culture. Therefore, it is crucial for a company to adjust its operational processes in order to compete and grow in the global market (Jantunen et al., 2005).

Entrepreneurial Orientation

Entrepreneurial orientation is the ability of a firm to create new ideas, to adjust to a new environment, to grasp opportunities, and to rise above risks and challenges in the global market. This entrepreneurial orientation concept has been found to lead to improved performance (Zahra & Covin, 1995; Wiklund & Shepherd, 2005). Studies have been conducted to decide whether entrepreneurial orientation has a positive, negative or no relationship to a firm’s international performance. These studies showed different results. According to one study, there is a weak relationship between entrepreneurial orientation and the start-up’s performance (Lee et al., 2001). Another study found out that there is no relationship at all with business profitability (Slater and Narver, 2000). However, another study suggested that an entrepreneurial orientation enhances the relationship between a firm’s knowledge-based resources and its performance (Wiklund & Shepherd, 2003). Furthermore, one study also ruled that entrepreneurial orientation led to enhance performance (Zahra and Covin, 1995).

Although some studies have provided different results, it has been concluded that the firm’s success in the global market is also dependent of its entrepreneurial orientation. All this supports opportunity recognition in the new global market. Hence, there is reason to believe that the issue of entrepreneurial orientation has a positive effect on international performance. Entrepreneurship orientation and a company’s integrating capabilities are also positively related to a company’s global performance. Entrepreneurial oriented company should also conduct examinations to improve its operations effectively and skillfully. Entrepreneurial oriented firms also create opportunities through their actions. The active and effective implementation of new organizational strategies and practices improve productivity and enables firms to match their asset base to the requirements of a changing business world (Jantunen et al., 2005).

Conclusion

Globalization of the global economy has raised the vision of firms who now see the entire world as their market. Some of the ways to do an international competitive advantage is by the use of efficient, worldwide communication, technology, and transportation. International entrepreneurship is a new and somewhat surprisingly growing area of international business research activity. This research paper reviewed the importance of the global entrepreneurship and discussed the study of global start-ups, the
processes involved in new venture creation, the creation of global start-ups, the characteristics of successful strategy for some small and medium firms, the emerging risks and challenges for firms in the global markets, environmental conditions for entrepreneurship, and the success factors in the use of joint venture in developing countries. Although this paper has many limitations, further research is necessary regarding the link between international and local operations, especially for the small firms in the developing countries. It would be fruitful to do further research on the framework for assessing the link between small firms in developed nations, and the developing nations’ firms that join them in joint ventures. Another interesting direction for future research to do more comparison studies on the characteristics and behaviors of individual entrepreneurs between cultural and national boundaries.

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Using the List of Values to Differentiate between Amateur Sport Tournament Participants and Spectators

by Lada Helen V. Kurpis, Ph.D., Gonzaga University, and Carl S. Bozman, Ph.D., Gonzaga University

Abstract

Our study uses the List of Values (Kahle, 1983) approach to predict the likelihood of a person becoming a participant, versus a spectator, in an amateur sport tournament. The data were collected during a survey (N=399) of a large regional basketball 3-on-3 tournament in the Northwest of the U.S. A logistic regression method was used to test the hypotheses of the study.

The results of the study indicate that social values, as measured with the List of Values (LOV) scale, can serve as a means of predicting the likelihood of a person becoming a participant, versus becoming a spectator, in an amateur sport tournament. The accomplishment and excitement values were significantly related to participation, rather than spectatorship. On the other hand, the values of having warm relationships with others or security were significantly related to spectatorship, as opposed to participation. The explanatory power of the model containing the LOV ratings as predictors increases when demographic variables (age and gender) are added to the model. Specifically, age (young) and gender (male) increase the likelihood of becoming an active participant, rather than a spectator, in a tournament. Income, on the other hand, was not a significant predictor of a participant/spectator status.

The results of this study have a number of practical implications. For instance, tournament organizers can better tailor marketing communications to the needs of
potential tournament participants or spectators, using the knowledge about value preferences of participants versus spectators. Specifically, potential tournament participants may be better attracted with marketing communications presenting the tournament as a test of their athleticism and emphasizing the thrills and excitement of the competition. Potential tournament spectators may be attracted with marketing communications stressing how safe and well managed the event is going to be. Potential spectators may be better persuaded with the marketing communications positioning the tournament as an opportunity to support their friends and family members and feel as a real member of a community.
An Empirical Analysis of Investor Performance and Gambling
Profile: Do Social and Recreational Gamblers Outperform Non-Gamblers in the Stock Market?

Gregory W. Farfsing, Ph.D.
MBA Director

J.C. Thompson, DBA
Associate Professor – Finance

Northern Kentucky University
Highland Heights, Kentucky USA

Abstract

This is a comparative analysis of whether or not an individual’s level of non-investment gambling will have a significant impact on the individual’s investment portfolio results. Portfolio results have been adjusted for market risk factors. What was statistically determined is whether or not low-risk (social/recreational) gamblers out-perform, under-perform, or perform no differently in the equity markets on a risk adjusted basis as opposed to investors who are non-gamblers. The major finding of this study indicates a difference in the mean Jensen’s alpha of the non-gambling group, as compared the mean Jensen’s alpha for the low-risk gambling group, amounting to a statistically significant 3.82%.

This paper is the continuation of two prior papers published by the authors in 2006 and 2007 and contains the empirics of the overall study. The abstracts of those papers follow.
Abstracts of this study’s two previously published papers

Abstract: An Introduction to Behavioral Finance and Gambling Profiles

The authors review the literature relative to the field of behavioral finance and gambling profiles (the level of involvement in gambling activities). This review is expected to ultimately form the basis for an empirical study to determine if a relationship exists between market participants’ level of success and their gambling profile.

The review encompasses prior research on modern finance, behavioral finance, and the measurement of gambling profiles.

The authors find ample evidence of the behavioral/psychological nature of finance from the literature. They also find accepted methodologies allowing the measurement of gambling profiles, which should allow the measurement of any relationship that might exist between these profiles and other variables such as investor success.


This paper builds on a Farfsing/Thompson paper “An Introduction to Behavioral Finance and Gambling Profiles: Evidence from Prior Research” presented at the
Society of Business, Industry, and Economics (SOBIE) meeting in April 2006. The initial paper explored the literature of modern finance and behavioral finance. It detailed the underpinnings of both and how they represent different approaches to financial understanding. The paper also introduced the authors’ contention that one’s gambling profile may be related to one’s success as an investor. This paper delves further into the subject by providing a literature review of the proposed link between behavioral finance and gambling profiles.

The field of finance has been dominated by what is referred to as “modern finance” for the past 50+ years. Modern finance has its roots in the works of Markowitz, Sharpe, Treynor, Fama, Ross and others. Some of the underlying assumptions of modern finance have come under fire by the proponents of behavioral finance (in particular, the assumption of market efficiency and investor rationality). The primary researchers in behavioral finance are Schiller, Thaler, Fromlet, Barber, Odean, DeBondt and others. This paper and the prior one referenced above attempt to provide a background on behavioral finance as well as a link that the authors believe exists between an investor’s gambling profile and his/her success as an investor.
Sample and Methodology

This study is a comparative analysis of whether or not an individual’s level of non-investment gambling will have a significant impact on the individual’s investment portfolio results. The research question asks whether non-gamblers will have different investment results from social/recreational gamblers after adjusting for different levels of market risk.

There were two sources of data used in this quantitative study. The first set of data was collected via survey employing a questionnaire for the purpose of quantifying the participant’s level of gambling. The questionnaire used in this study was a two-part, seventeen-item instrument that requested information on demographics of participants and information on their gambling practices. A copy of the questionnaire is available from the authors.

The second set of data entailed a content analysis of the investor’s third-party, annual investment statement obtained for the purpose of calculating the investor’s Jensen’s alpha (explained below).

The questionnaire employed the ten questions of the American Psychiatric Association’s (1994) *Diagnostic and Statistical Manual of Mental Disorders, (4th ed.*) and was used to determine the participant’s level of gambling. The National Research Council (1999, pp. 18-21) provides a conceptualization of gambling behavior on a continuum beginning with non-gambling, to social/recreational gambling, to problem gambling, and ending with pathological gambling. Stratification and definitions used are as follows: Level 0 gambler (non-gambler): no gambling at all; Level 1 gambler
(social or recreational gambler): gambling for entertainment or social purposes, with no appreciable harmful effects; Level 2 gambler (problem gambler): gambling behavior that results in any harmful effects to the gambler, his or her family, significant others, friends, coworkers, etc. Some problem gamblers would not necessarily meet criteria for pathological gambling; and Level 3 gambler (pathological gambler): A mental disorder characterized by a continuous or periodic loss of control over gambling, a preoccupation with gambling and with obtaining money with which to gamble, irrational thinking, and a continuation of the behavior despite adverse consequences. This paper is a study of the investment results of Level 0 (non-gamblers) and Level 1 (social/recreational gamblers) only, i.e., Level 2 (problem gamblers) and Level 3 (pathological gamblers) are intentionally excluded from this study.

The annual investment statement was used to quantify the degree to which each investor over-performed, under-performed, or performed no differently in the market on a risk-adjusted basis using Jensen’s alpha.

The authors contacted individuals and inquired if they owned a portfolio of financial securities. They were furthered asked if they would be willing to participate in a study of financial performance which would be weighed against their level of gambling. The population targeted was not based on whether or not the individual gambles, as all individuals will fall into one of the four classes of gambling, ranging from non-gambler to pathological gambler. However, the individual must be an investor in the stock markets.
Sampling strategy presented several issues. For sampling to qualify as random each unit of the population must have an equal and independent chance of selection into the sample. Non-random sampling does not follow the theory of probability in the choice of elements from the sampling population. Non-probability sampling designs are used when the number of elements in the population is either unknown or cannot be individually identified, which is the case in this study. Kumar (1999, pp. 160-162) lists four non-random designs: quota sampling, accidental sampling, judgmental or purpose sampling, and snowball sampling. The snowball sampling technique used by the authors generated twenty-eight usable responses.

The research was conducted in the regional area of Greater Cincinnati, which has a very similar demographic profile to the country as a whole.

**Data Collection and Analysis**

A total of one hundred and twenty-two copies of the questionnaire and informed consent form were distributed. A total of thirty-three responses were received by the submission cut-off date. Of the total thirty-three returns received, twenty-eight returns were usable.

From the investment statement supplied by each participant, a composite (risk-adjusted) measure of portfolio performance was used for the purpose of determining the degree to which the investor over-performed, under-performed, or performed no differently in the market on a risk-adjusted basis. Jensen’s alpha was selected for this purpose. Michael C. Jensen developed a portfolio performance measure, named Jensen’s Alpha, which is based upon the capital asset pricing model
(CAPM). This measure calculates the portfolio’s excess return on a risk-adjusted basis. Excess return is the amount by which the portfolio’s actual return deviates from its required return, which is determined using its beta and CAPM. The value of the excess return may be positive, negative, or zero. Jensen’s alpha focuses only on non-diversifiable, relevant risk by using beta and CAPM. It assumes that the portfolio has been adequately diversified. The formula for calculating Jensen’s alpha is: (Total portfolio return minus the Risk-free rate) minus [Portfolio beta times (Market return minus Risk-free rate)]. The total portfolio return was individually calculated from the investment statement received from each participant in the manner described above. The risk-free rate of return was computed using a 53-point average of the weekly United States Treasury Bill, with a thirteen-week term. Portfolio beta was individually calculated for each participant’s return as described above using the Yahoo! Finance website as the source of the beta coefficient information. The market return was determined from the total return on investment of the Standard and Poor’s 500 Stock Index. This specific broad-based market index was used since the S&P 500 stock index was used in developing the betas used in this analysis.

Jensen’s alpha indicates the difference between the portfolio’s actual return and its required return, based upon the riskiness of the portfolio as measured through the portfolio beta. Positive Jensen’s alphas indicated that the portfolio earned a return in excess of its risk-adjusted, market-adjusted required return. A Jensen’s alpha of zero indicates that the portfolio earned exactly its required return. Negative Jensen’s alphas indicate that the portfolio failed to earn its required return. Jensen’s alphas are
reported in a percentage format, indicating the percentage by which the portfolio over-or-under-performed the market on a risk-adjusted basis.

Beta coefficients of each equity investment were necessarily calculated to obtain the level of market risk of each investor’s portfolio used in calculating Jensen’s alpha and a \( t \) test was performed to test for the significance between the reported Jensen’s alphas of the non-gamblers versus the low-risk gamblers. The calculation of the Jensen’s alphas and of the \( t \) test provided information for analysis and interpretation of the data.

**Research Findings**

**Jensen’s Alpha by Gambling Level**

Table 1 shows the Jensen’s alpha for the participants in total, and by gambling Level 0 (non-gambler) and Level 1 (social/recreational gambler.)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Level 0</th>
<th>Level 1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Count</strong></td>
<td>28</td>
<td>5</td>
<td>23</td>
</tr>
<tr>
<td><strong>Mean</strong></td>
<td>0.02%</td>
<td>-3.12%</td>
<td>0.70%</td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td>0.13%</td>
<td>-2.53%</td>
<td>1.28%</td>
</tr>
<tr>
<td><strong>Range (Exclusive)</strong></td>
<td>26.66%</td>
<td>6.99%</td>
<td>26.66%</td>
</tr>
<tr>
<td><strong>Maximum value</strong></td>
<td>10.12%</td>
<td>0.12%</td>
<td>10.12%</td>
</tr>
<tr>
<td><strong>Minimum value</strong></td>
<td>-16.54%</td>
<td>-6.87%</td>
<td>-16.54%</td>
</tr>
<tr>
<td><strong>Standard Deviation</strong></td>
<td>5.24%</td>
<td>2.43%</td>
<td>5.44%</td>
</tr>
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</table>
The mean and median for the twenty-eight usable responses amounts to 0.02% and 0.13%, respectively. The Jensen’s alpha for the entire market amounts to, by definition, 0.0%, since the market cannot either outperform or under-perform against itself. Accordingly, the overall Jensen’s alphas reported in this study amounting to 0.02%, are quite near the overall market Jensen alpha of 0.00%. The range of all Jensen’s alphas was 26.66%, with the maximum reported value of +10.12% and minimum value of -16.54%. The interpretation of these two Jensen’s alphas is that the highest performing investor outperformed the market on a risk-adjusted basis by 10.12% and that the lowest performing investor underperformed the market on a risk-adjusted basis by 16.54%. The standard deviation of the total population’s Jensen’s alphas amounted to 5.24%.

The mean and median for the non-gamblers (level 0) responses amounts to a -3.12% and -2.53%, respectively, indicating that non-gamblers as a group have underperformed the market on a risk-adjusted basis. Since Jensen’s alpha for the entire market is 0.00%, the Jensen’s alphas reported by non-gamblers appear substantially lower than average. The range of Jensen’s alphas for the non-gambling group was much tighter than the entire population and amounted to a spread of 6.99%, with the maximum reported value of +0.12% and minimum value of -6.87%. The standard deviation of the Jensen’s alpha for the non-gambling group amounted to 2.43%.

The mean and median for the low-risk gamblers (level 1) responses amounts to a +0.70% and +1.28%, respectively, indicating that low-risk gamblers have outperformed the market on a risk-adjusted basis. Since Jensen’s alpha for the entire
market is 0.00%, the Jensen’s alphas reported by low-risk gamblers are slightly above average. The range of Jensen’s alphas for the low-risk gambling group was substantial at 26.66%, with the maximum reported value of +10.12% and minimum value of -16.54%. Not only was this the range of the low-risk gamblers, it is also the range of all respondents. Low-risk gamblers reported the highest Jensen’s alphas and lowest Jensen’s alpha. The standard deviation of the Jensen’s alpha for the non-gambling group amounted to 5.44%.

The difference in the mean value of Jensen’s alpha of non-gamblers of -3.12% and the +0.70 of low-risk gamblers amounts to 3.82% and indicates that low-risk gamblers are outperforming non-gamblers by a seemingly substantial 3.82%. A similar relationship exists with regards to the median values. The difference in the median value of Jensen’s alpha of non-gamblers of -2.53% and the +1.28 of low-risk gamblers amounts to 3.81% and indicates that low-risk gamblers are outperforming non-gamblers by a seemingly substantial 3.81%. The interpretation of the differences in risk-adjusted results, as compared to the Jensen’s alpha for the entire market of 0.0%, is that low-risk gamblers are minimally outperforming the market on a risk-adjusted basis; however, non-gamblers are to a greater extent underperforming to the market on a risk-adjusted basis.

A t test was performed to test for the significance between the reported Jensen’s alphas of the non-gamblers versus the low-risk gamblers. The research hypothesis is a two-tailed, non-directional research hypothesis. The null hypothesis is that social/recreational gamblers will not over-perform or under-perform in the stock market as compared to non-gamblers; i.e., that there is no difference in the market
and risk-adjusted results of low-risk gamblers and non-gamblers. The level of risk, or level of significance, of .05 was selected. The appropriate test chosen was a $t$ test for independent means. Values used in the $t$ test are as follows: mean for non-gamblers of -0.0312, mean for low-risk gamblers of 0.0070, number of participants of non-gamblers of 5, number of participants of low-risk gamblers of 23, variance of non-gamblers as the standard deviation of 2.43 squared, variance of low-risk gamblers as the standard deviation of 5.44 squared. The computed $t$ value equals 2.514. Degrees of freedom were calculated at 26 by adding the size of the two samples and subtracting two ($5 + 23 - 2$). Using the degrees of freedom of 26 and the level of risk of .05, and a two-tailed test (since there is no direction to the research hypothesis), a $t$ test table was referenced to determine the critical value. The critical value was determined to be 2.056. Since the obtained $t$ test value of 2.514 exceeds the critical value of 2.056, the null hypothesis was rejected. Accordingly, $t_{(26)} = 2.51$, $p < .05$. This indicates that the probability is less than 5% on any one test of the null hypothesis that the two groups do not differ from one another. With a 95% certainty level, the investment results of non-risk gamblers versus low-risk gamblers have been shown to be statistically significant.

Retaining the degrees of freedom of 26 and changing the level of risk of .01, the critical value was determined to be 2.779. Since the obtained $t$ test value of 2.514 does not exceed the revised critical value of 2.779, the null hypothesis cannot be rejected within a 99% certainty level.
Research Summary / Conclusion

There were differences in the calculated means and medians of the non-gambling group and the low-risk gambling group. The results of the \(t\) test indicate the mean values of the two gambling groups are statistically significant. The major finding of this study indicates there is a statistically significant difference in the risk-adjusted investment results of non-gamblers and low-risk gamblers. Non-gamblers and low-risk gamblers perform differently in the stock market after having adjusted for the varying levels of risk chosen. Recreational and social gamblers have been shown to outperform non-gamblers, after having adjusted for the different risk differentials. An important distinction in the total difference of the two groups is not so much that low-risk outperformed the market; since the Jensen’s alpha was reported at 0.70\% and 1.28\% by the mean and median values, respectively, but rather, that the non-gambling group under-performed the market by reported values of -3.12\% and -2.53\%, respectively. In other words, non-gamblers under-performed against the market to a greater extent than low-risk gamblers outperformed against the market.

Implications and Future Research

This research provides critical information regarding the market and risk-adjusted investment results of non-gamblers and low-risk gamblers. Since statistically significant differences occurred in the Jensen’s alpha of the two gambling classes, and since it was the non-gamblers who underperformed against the market more so than the low-risk gamblers outperforming the market, an understanding of the reasons behind this phenomenon may be warranted.
The authors’ intent is that the findings of this pilot study will lead to additional research. Why is it that non-gamblers under-perform in the market, even after adjusting for the risk level chosen? A qualitative research design may be warranted to examine this further. Examination of the particular types of gambling that lead, or do not lead, to increased or decreased investment performance is another area that could be examined further. This new research could lead legislators to implement tighter, or looser, controls of certain types of gambling. Additionally, correlations about the frequency of certain types of gambling could be sought which could further aid in attempting to determine traits that lead to both successful and unsuccessful investing practices. Also, it is recommended that future studies obtain an increased sampling size so as to make meaningful observations of the results of the two gambling classes across certain sub-categorical socio-economic classifications.

References


Professional Quality Video Production Capabilities Enter the Mainstream: A Case Study of a Business School Informational and Promotional Video Production Project

Robert J. Bonometti and W. Randy Boxx
Harry F. Byrd, Jr. School of Business
Shenandoah University

Abstract:
The proliferation of broadband Internet access has ushered in the dawn of the age of ubiquitous online video, as clearly evidenced by the explosive growth (not to mention recent acquisition valuation) of YouTube. Much of the video proliferating on the Internet today involves amateur video captured with camcorders or Webcams. These videos rely on little, if any, post-recording processing such as nonlinear editing, text captioning, special effects, etc. Many organizations with ample resources, including large corporations and government agencies, have utilized high quality, professionally produced videos for many years now for purposes ranging from advertising and product promotion to informative product or service videos at kiosks. Two things have recently changed this equation in a very profound way: 1) the availability of user-friendly software to produce high quality video productions at fairly low cost using in-house resources and talent, and 2) the ability to distribute that high quality video to a mass audience via the Internet. The implications of these changes is that, analogous to the empowerment of small organizations to market or get their message out literally to a global audience at very low cost via basic (“narrowband”) Internet capabilities, small organizations with limited resources are now being enabled with the powerful medium of video productions. We examine this new phenomenon and present a discussion of a video production project at our Business School that has created a professional quality informational and promotional video using only in-house resources and a very limited commitment of budget resources. This paper will discuss our particular approach and techniques and will provide an overview of the broad spectrum of tools, techniques, resources, and technologies that are available today to small organizations of all kinds, including academic programs such as our Business School application.

Introduction: Motivations, Purposes, and Messages

Our central motivation in creating and implementing a promotional marketing video for our Business School was to provide an exciting overview of our programs to a diverse audience ranging from potential recruits and new students to our supporters, partners and benefactors in the business community. We were also seeking to differentiate our program by using video as a medium to convey our story, thereby demonstrating that we
“practice what we teach” in using the latest and most sophisticated technologies to most effectively reach our target audience. A key element of our strategy was to create a production that, in the span of less than five minutes, could showcase the vision, mission, programs and initiatives of our Business School in a compelling and stimulating manner. The overall goal was to leave the viewer at the end of the video not only well informed with an understanding of what makes our program unique, but also with a sense of excitement, enthusiasm, and, in the case of current students and stakeholders, a deep sense of pride in our program. If it is artfully and strategically rendered, the medium of video can accomplish these broad goals in a way that is far more stimulating, effective, and efficacious than any other modality, including the traditional formats of brochures, Powerpoint presentations, and even Web sites. While the discussion in this paper focuses on our experiences with developing and utilizing a promotional video for our Business School, it implicitly suggests that more widespread utilization by a broad range of educational programs (other disciplines, university-level productions, etc.) may well be warranted.

With this general set of motivations, we identified a number of specific purposes that the promotional video should address:

- Providing a capstone overview of our School, its philosophy and programs, to a diverse set of audiences, including
  - Prospective students seeking information about our undergraduate and graduate programs, including international prospective students
  - New students receiving their initial orientation briefing
  - Stakeholder organizations including our Business School Board of Advisors
  - Community organizations such as the regional Chamber of Commerce
  - Prospective programmatic partners in the business community such as companies considering our students for internship opportunities
  - Prospective financial donors and benefactors
  - Prospective new faculty hires
  - Accreditation review teams such as AACSB-I and SACS
- Turbo-charging the viewer with excitement, enthusiasm, and (for extant students, faculty and stakeholders) pride in our Business School programs
- Showcasing the unique qualities, features, and resources that differentiate our Business School among the many competitors seeking to recruit new students and world-class faculty, win research grants and awards, and stimulate benefactor donations, and
- Highlighting the university-level environment that synergistically energizes our Business School, including wide-ranging athletic programs; nationally recognized programs in the arts, music, and theater; a diverse population of international students; and opportunities for global experiential travel.

The fundamental messages that the video was intended to communicate to our audiences is best summarized by our school’s vision and mission statements:
The MISSION of the Harry F. Byrd, Jr. School of Business is to educate its students to become successful, principled leaders with a global perspective.

Our VISION is that the Harry F. Byrd, Jr. School of Business will become recognized as a provider of individualized business education driven by entrepreneurial thinking, global understanding, and ethical practice.

Project Description and Developmental Methodology

We set out to develop a fairly concise video production that would have a run-time of not more than five minutes and would convey our messages to the target audiences in an exciting and compelling manner. We had a small library of various digital photographs of Business School activities, events, and everyday scenes (classroom shots, faculty-student meetings, etc.). We did not have any video footage of our operations nor did we have any dedicated music specifically written for the video production.

Given the limited in-house resources initially available to us, we decided to purchase royalty free audio and video resources that could be integrated with our own digital photography to produce a compelling rendition that effectively conveyed our story in an exciting manner. There are many sources of royalty-free content available today, and one need only perform a Web search to uncover many potential resources. We chose two products from Digital Juice, Inc: an extensive library known as JumpBacks of video, audio and still resources that included appropriate content for our intended application; and, a second product from Digital Juice known as the Presenter’s Toolkit. We surveyed the extensive library of these resources and identified a number of candidate tracks that could potentially be integrated into our video project. In particular, we identified a royalty-free music theme for the production that became the background audio soundtrack for our production. The sound track duration was 4 minutes 38 seconds, almost exactly the target length that we aimed for in our final product. Given the outstanding match between what we desired for background music properties and what this audio selection offered (excitement, inspiration, anticipation, and top-drawer taste and class), we decided to use the track as the sole audio source for our production. This decision then set the duration of the overall final video product. Alternatively, we could have chosen to use a mix of multiple audio tracks and multiple sound sources, including a vocal narration track. In the future, we plan to experiment with other audio mixes and possibly a narration track, but for our initial production we chose to use the single background music piece, played once from start to finish (i.e., without looping).

Since we decided on a single audio track without narration, it was decided that main points of emphasis would be conveyed by using text overlays on video clips and still images. The text overlays were incorporated as a separate video track in the production mix that would appear as a transparent-background layer over the lower action tracks. Having chosen the audio track and identified many in-house photos and video clips from the JumpBack library, we refined our broad concept for the video by sketching a story
board of the major content elements. The story board timeline captured the following sequence of ideas:

- A general introduction that would serve to motivate and excite the viewer. The main message for this initial segment would be that the Byrd School of Business is preparing its students for the exciting, fast-paced world of management that they will enter upon graduating from our program of study. The video clips for this introductory segment would use fast paced motion images. The school’s tag line, “Success Stories Start Here,” would be included in the introduction section.

- The second major block of the video storyline would introduce the Byrd School of Business and important news items, including the expectation of accreditation by AACSB-I in the near future (which we are proud to note happened in early 2007), and the upcoming completion of a state-of-art new academic building devoted exclusively to the Business School.

- The third block would introduce the Dean and the faculty and staff.

- The fourth block would highlight the whole-person developmental environment provided by Shenandoah University, emphasizing athletic programs and school spirit.

- The fifth block would introduce the Business School’s Mission and then provide video vignettes to emphasize each of the main points of the mission statement while also using text overlays to cite significant experiential aspects of our programs, such as internships, executive speakers and distinguished lecturers, field trips, international travel and study abroad opportunities to develop global perspectives, and team-building experiences including business clubs.

- The sixth block would cite the school’s Vision statement which would resonate with the points illustrating the Mission.

- The seventh block would note the state-of-the-art technological strengths that the Business School had to offer its students, and would utilize digital photographic images to illustrate these resources.

- The eighth block would emphasize key programmatic strengths offered by our Business School, including individualized curriculum, real-world faculty, small class sizes, and personalized student-faculty interactions. Again, digital action photos of our faculty and students would be used with text overlays to illustrate these points.

- The ninth and final block would provide an uplifting and inspirational closing to the video, emphasizing the success-oriented partnership between our students and our Business School and the powerful impact that our program would have in helping them to achieve high levels of success in their careers.

This story board served as our guide for selecting, arranging, and integrating video, photographic, and textual elements to comprise our video production and to effectively “tell our story.”

We chose Adobe Premiere Pro as our primary video production software application based on its professional-grade capabilities, powerful full-featured development environment, high quality rendering, and flexibility (many input and output formats were possible such as importing and exporting video clips in various video standards and exporting still shots of selected frames, such as those used to illustrate this paper).
Additionally, the fact that one of the authors used Premiere in teaching our Multimedia Systems course offerings meant that it was a very familiar application to leverage for this project. Ancillary applications that we routinely use to develop or tailor materials for integration into a video project include Sound Forge and Adobe Audition for audio processing, Adobe Photoshop, Macromedia Fireworks, Ulead’s GIF Animator and COOL 3D Production Studio, and Microsoft’s PhotoEditor and Office applications.

About 50% of the final video production utilized 3 composited video tracks plus one audio track, although a small proportion (about 10%) involved only a single video track component while about 40% of the production used 2 composited video layers. Transition effects were used between video/still elements on the timeline, including cube rotation, cross dissolve, curtain opening, etc.

The following series of still frames exported from our completed video illustrate the flow of ideas discussed in the story board synopsis above:
The overall production project, including screening and selecting content materials and adding several elements to the initial prototype, required approximately 100 person-hours of work over a period of about one month. (Needless to say, most of this work was done during the summer break period before the beginning of Fall semester 2006, when sufficient time was available to focus on the development project without the usual workload of teaching academic courses.) Although we had the software applications available since we had been using them for our multimedia courses, a reasonable estimate of the cost of the required software to perform the work involved in this project would be about $1500. Additionally, we spent $250 for the JumpBacks library and another $99 for the Presenter’s Toolkit (these were sale prices that were very attractive). Thus, for well under $2000, the resources to develop a professional-quality informational and promotional video such as the one described in this paper can be procured by a small business, non-profit, or academic organization.

**Initial Deployments and Upcoming Applications**

The maiden-voyage of the completed video was the New Student Orientation conducted in August 2006 by the Byrd School of Business. After a brief welcome and agenda statement by the Dean, the auditorium house-lights were fully dimmed and the video was launched. A room-based multimedia system was used including high fidelity audio and LCD projection of the video onto a screen approximately 10 feet square. The results were very satisfying: when the video concluded and the house-lights were turned up, the
audience of new students spontaneously broke out in an extended round of applause. The video had accomplished our main objectives for this venue:

- To motivate the incoming class of new students for the program of business education on which they were about to embark
- To provide a broad overview of the Business School’s programs and strengths, which were subsequently amplified and expanded upon by short verbal presentations from each member of the faculty
- To clearly convey the school’s mission and vision statements, and
- To excite the audience and set the stage for the rest of the orientation activities.

In the following months, the video was deployed at several additional venues, including a meeting with academic recruiters and a semi-annual meeting of the Business School’s Advisory Board.

The large file size of the initial version of the video limited its application to live presentations in meeting rooms and auditoria. In order to facilitate a manageable file size and download time period required for posting on our school’s Web site, several alternative versions were developed, including a smaller-than-full-screen PC version and a very small window video suitable for video podcasting or video cell phone formats. Other deployment modalities that are being considered include distribution via DVDs (perhaps to high school counselors and/or prospective students who request a copy on the school’s Web site) or CDs (for a small window compressed version of the video). We are also planning to use the video in a kiosk presentation mode at recruiting fairs and at the school’s booth at conferences, trade shows, and similar venues.

**Discussion of Results and Preliminary Conclusions**

In all but one of our public deployments, the technical presentation of the video was flawless; unfortunately, at one venue, the (borrowed) laptop computer that was running the video rendered a jittery presentation due to a background process (undiscovered during the pre-event dress rehearsal the night before) that apparently decided to run at the same time as the video was being shown to the audience. The moral of this story is that computer desktop video rendering is a very computationally intensive process and any competing applications running on the machine at the same time threaten to degrade the video rendering process. To add to the embarrassment at the event in question, the presenter had to resort to trying to troubleshoot and find the rogue process on the borrowed laptop computer (with which he was unfamiliar) during the presentation itself. The bottom line is that a high quality video running on a computer must be given top priority for processor and memory resources, and the best way to ensure this is to test run the video before the live audience event. In our case, we performed this pre-event testing but were nevertheless surprised when the unfamiliar platform performed erratically during the actual live presentation to our audience. If at all possible, use a PC or laptop that is well-known (preferably your own!) and has successfully rendered the video on multiple past occasions.
Summary and Considerations for Further Work

In summary, the conclusions resulting from our initial development and deployment of a high quality informational and promotional video for our Business School are:

- Software and resources (including royalty-free audio and video clips) required to develop a high quality video product can now be considered quite affordable and mainstream, and program interfaces are now sufficiently user-friendly that developing the expertise to create and render a high quality video product is within the capabilities of small organizations, including academic schools and departments.

- Deployment of a high quality informational and promotional video is now relatively easy and cost-effective to accomplish, and includes platforms ranging from large screen live audience presentations using LCD projection, to downloadable versions suitable for the organization’s Web site that can be targeted at conventional desktop/laptop browsers and/or very small screen devices such as PDA’s and video cell phones.

- Based on anecdotal evidence from our deployment experiences thus far, the audience response to a high quality video presentation that conveys the organization’s main themes and messages is outstanding and far superior to traditional lecture-type presentations using static visuals (e.g., Powerpoint slides).

Finally, several questions should be addressed in future studies and continued work on this effort. What is the correlation between marketing materials for prospective students and actual recruitment results? For example, after benchmarking a current baseline of the percentage success rate in recruiting new students (perhaps averaged over the three most recent years for which data are available), the ratio of recruited students to targeted/contacted students could be quantitatively measured a year or two after the introduction of the promotional video. Related issues to investigate with measured data include the success rate in retaining students and the degree of success in stimulating benefactor contributions to the Business School program. Of course, multiple factors would undoubtedly influence recruitment and retention success rates and benefactor largess, so appropriate statistical methods should be employed to isolate the specific contribution of the promotional video. Finally, a major premise of this paper has been that high quality video productions have become powerful tools that can be leveraged by even small businesses and organizations, including academic programs. In this regard, the financial return on investment (ROI) achieved by leveraging these now affordable and available video technologies should be estimated. For example, what are the cumulative cost savings (reduced cost per recruited student, travel cost reductions, etc.) and revenue enhancements (increased number of paid tuitions plus increases in the number and amount of donor contributions) relative to the costs incurred to create and deploy the promotional video? We anticipate that quantitative estimates of ROI will be quite high.
The Centrality Efficiency Index: A New Social Network Analysis Measure

Scott Droege, Ph.D.
Western Kentucky University
Department of Management
1906 College Heights Blvd. #11058
Bowling Green, KY 42101-1058

Phone: 270-745-6033
E-Mail: scott.droege@wku.edu

Lily C. Dong
Assistant Professor of Marketing
University of Alaska
School of Management (Marketing Area)
P.O. Box 756080
Fairbanks, AK 99775

Phone: 907-474-1993
E-Mail: fflcd@uaf.edu

ABSTRACT

This research develops a new measure of communication efficiency—the centrality efficiency index (CEI)—by examining the ratio of actual centrality to potential centrality. The CEI has two purposes. One, it can be a useful measurement for calculating communication flow efficiency through social networks with respect to central actors; Two, it provides a way to calculate the degree to which trust moderates closeness centrality of actors responsible for dispensing sensitive information to actors with lower degrees of centrality.
Introduction

Social network centrality measures contribute to our understanding of communication flows within social structures (Ibarra, 1993). In general, centrality refers to actors who are in a central position within a social network (Brass, 1995). Although a number of centrality measures have been proposed, the present research focuses on one specific centrality measure, closeness, which is a global measure of an actor's centrality (Poulin, Boily, & Mâsse, 2000).

There are two goals of this research. One is to develop a useful measurement for calculating communication flow efficiency through social networks with respect to central actors. The second goal is to provide a method to calculate the degree to which trust moderates closeness centrality of actors responsible for dispensing sensitive information to actors with lower degrees of centrality.

The research is organized into four sections. First, a theoretical overview of the role of centrality and trust in the communication process is provided. Second, propositions are developed regarding trust as a moderator of closeness centrality; that is, trust moderates the relationship between communication flows and the closeness centrality possessed by an organizational actor. Further, the CEI and its use in gauging the extent to which trust provides this moderating relationship are proposed. Third, managerial implications and future research directions are suggested.

Theoretical Background

This section focuses on three areas: (1) closeness centrality in social networks; (2) vulnerability, trust, and opportunism; and (3) intra-organizational communication flows.

Closeness Centrality

Operationally, centrality is the number of ties an actor possesses to others in a social network. This is further weighted by the number of ties the latter actors possess to other actors (Emirbayer & Goodwin, 1994). Centrality explains the relative connectedness of an actor. For example, if one considers communication flows in a social network, an actor high in centrality would have access to a large amount of information by virtue of his or her central position. Communications with others would be "close" to the actor with high centrality. Even though communication may not flow directly to the central actor, that actor would have access to the information via the closeness of others to whom the actor is connected.

Closeness centrality further defines centrality by specifying the position that an actor occupies in a social network. It indicates reachability; that is, an actor's ability to easily reach or connect to others by being connected closely enough that the actor has access to others’ information. Closeness centrality is a straightforward measurement that simply calculates the average of the direct and indirect links to all others in the network relative to the focus actor (Brass, 1995).

Vulnerability, Trust, and Opportunism

Vulnerability may be viewed as two side of the same coin. On one side is trust. Doney, Cannon, and Mullen refer to trust as the "willingness to rely on another party and to take action in
circumstances where such action makes one vulnerable to the other party" (1998: 604). This assumes rationality on the part of the trustor: "The elements confronting the potential trustor are nothing more or less that the considerations a rational actor applies in deciding whether to place a bet" (Coleman, 1990: 99). In other words, trust can be viewed as the rational choice to make oneself vulnerable to another. If one willingly becomes vulnerable, then a rational actor would only place himself or herself in that vulnerable position if he or she believed that positive, or at least neutral, outcomes would result.

The other side of the coin is opportunism, defined by Williamson's (1975, 1981) well-known phrase of self-seeking with guile. Although Williamson's unit of analysis focused on interfirm interaction and contract law, the basis of his approach in transaction cost analysis allows one to consider opportunism from an intraorganizational level—the level of analysis that is considered in this paper. Williamson (1981) suggests that the two behavioral assumptions of bounded rationality and the potential for opportunism give rise to the ever-present potential of vulnerability. When an actor willingly exposes himself or herself to vulnerability, that individual has chosen, whether consciously or not, to trust another (Eisenhardt, 1989) and become exposed to opportunistic behavior. Thus, the threat of opportunistic behavior provides a disincentive to trusting behavior.

To avoid oversimplifying the issue, one must recognize that trust and opportunism have affective and cognitive components (Smith, Haynes, Lazarus, & Pope, 1996) and involve more than rational decisions as might be inferred from Williamson's (1975) definition. Indeed, cognitive trust can serve as an antecedent to affect-based trust (McAllister, 1995). Affective trust involves the emotional processes of care and concern for others; cognitive trust involves one's beliefs regarding the dependability and reliability of others (Kramer, 1999; McAllister, 1995) and is more similar to the rational actor perspective of trust.

Trust forms by a variety of mechanisms. In some situations, an actor trusts another based on the other's degree of perceived reliability (Kramer, 1999; McAllister, 1995) or the belief that the other's intentions show concern (Ring & Van de Ven, 1994). In other situations, it is not the individual per se in whom trust is placed. Rather, it is the specific context of the communication that regulates the degree of trust. For example, the explicit role served by one in whom trust is placed can serve as a basis for trust (Kramer, Brewer, & Hanna, 1996) as well as the perceived reliability and competence of the one in whom trust is placed (Szulanski, 1996). Burt and Knez (1996) suggest that the necessity for an actor to maintain his or her reputation serves as a basis of trust. Further, organizations may impose formal sanctions that discourage actors from taking advantage of the trust placed in them (Shapiro, Sheppard, & Cheraskin, 1992). Another cognitive trust formation mechanism occurs when trust is based simply on another's similarity to oneself. The assumption is that similar others are more trustworthy than nonsimilar others (Jones & George, 1998). Finally, "institutional trust," or the social norms and environment of the organization, can engender trusting behavior (McKnight, Cummings, & Chervany, 1998).

Intra-Organizational Communication Flows

The flow of communication within an organization can have far-reaching effects. Obtaining crucial information when needed is an issue of major consequence (Zander & Kogut, 1995). The efficient flow of communication from one actor to another reduces the time one must spend searching for critical information (Zack, 1999). Efficient access to information thus enhances the downstream productivity of organizational activities. Opportunism can interfere with efficient
communication of information among individual actors. Williamson suggests that opportunism may take the form of "strategic manipulation of information" (1975:26). When this occurs, trust declines in the actor who acted opportunistically. Future transactions with that actor will tend to be avoided, even if that actor holds an otherwise central position.

Propositions

Trust has been recognized as an influential component of social exchange and cooperation in which "trust lubricates cooperation" (Nahapiet & Ghoshal, 1998), with low trust inhibiting cooperative behavior (Gambetta, 1988). Individuals in low trust situations may consider the risks of opportunism from another party to be greater than the potential benefits derived from transferring crucial information to others (Jones & George, 1998). In Szulanski’s (1996) discussion of "internal stickiness," she suggests that difficult relationships among individuals are a primary impediment to transfer of best practices. Similarly, the current research suggests that relationships characterized by low trust result in rerouting of communication flows through actors who are higher in trust but less central in a social network. Low trust results in communication that must flow through potentially longer, less efficient routes. In these situations, a possible negative effect can be the inefficient transfer of information among organizational actors.

Buskens (1998) adds to this the role of trust in buyer-seller situations. Viewing trust as the dependent variable, he examines in-degree and out-degree centrality metrics of information accessibility and suggests that the level of centrality degree, both in-degree and out-degree, influence trust. We propose an extension of this line of thinking: trust influences centrality and serves as an antecedent moderating variable of centrality measures.

The specific centrality measure on which this research focuses attention is closeness centrality due to its function as a global evaluator of centrality (Freeman, 1979). As a measure of reachability, closeness is a centrality measure that explains an actor's ability to easily connect to others. In other words, closeness centrality explains the links within a network placing an actor in a central location such that he or she has access to information and could potentially pass that information along to others. Higher closeness centrality requires fewer links or steps necessary to move information from one location to another. Although closeness does not require that an actor be situated between two others, it determines how accessible others are by means of direct and indirect links within a network. The average of the direct and indirect links to all others in the network determines an actor's closeness centrality (Brass, 1995).

The transfer of information to an actor with high closeness centrality involves the risk that the actor will use the information opportunistically. For example, to gain power, the actor may fail to pass along the information in its completeness to downstream actors who are ultimately dependent on this central actor for the information. An actor may believe that the risk of opportunism outweighs the benefits of using the closeness actor as a communication conduit. The former actor may either withhold information or find an alternate route to the deliver the information to the end user. With the development of alternate communication routes, the closeness actor's necessity for communication declines in importance. As alternate communication routes are formed, the closeness actor becomes less central to communication within the network. That actor's closeness centrality subsequently declines.

Low trust in a closeness actor creates a downward spiral of information inaccessibility. When trust is high, others have confidence that the closeness actor will not behave
opportunistically with information gained through the network. On the other hand, if trust is low, actors will bypass that actor and develop alternate routes of communication. Communication patterns will form that decrease the importance of the closeness actor's position. As trust decreases and the actor is bypassed, that actor's closeness centrality decreases.

When trust is high, an actor's perception of the risk of opportunism is low. He or she is therefore more willing to become vulnerable by entrusting others with sensitive information that could potentially be used to the former actor's disadvantage. Goldberg (1980) suggests that the threat of opportunism can be deliberately decreased through social forces such as improving the quality of dyadic relationships or relational norms. When this occurs, those who trust others can use the most efficient (the shortest) communication routes without fear of having their vulnerability to opportunism exploited.

Actors who are trusted will be more frequently used as information transfer conduits. Actors possessing high levels of closeness centrality will maintain those positions as long as trust levels do not decline. In this case, there is no incentive from a vulnerability standpoint to find alternate routes of communication. Subsequently, actors are likely to utilize the most efficient communication routes through these trusted actors.

Schein's original definition of centrality is that centrality is “denotes the person's objective position as measured by the degree to which company secrets are entrusted to him, by ratings of others of his position, and by his actual power" (1971: 408). Schein's definition provides two aspects of interest to the present discussion. First, centrality involves trust. Without trust, one will likely have a decrease in his or her ability to successfully occupy a central position in a network. In addition, centrality is, in part, a function of "ratings of others of his position." Thus, an actor's centrality is partially a function of his or her ability to be trusted, which in turn, leads to others rating that actor as a central player. Second, the phrase "secrets are entrusted to him" denotes the transfer of confidential information to those who possess centrality. These conditions are precisely those necessary to create the context needed for successful opportunism. If one believes that opportunism is likely due to lack of trust in an actor, the latter actor's ability to occupy a position of centrality is jeopardized. Therefore, in low trust situations in which opportunism is perceived to be a significant threat, otherwise central actors will not occupy a position of centrality. When this is the case, closeness centrality masks the most efficient routes of communication. Closeness centrality measures actual routes, but not necessarily the most efficient routes. Closeness, therefore, does not give any indication of the extent to which an organization is using its communication networks efficiently.

A measure of potential closeness centrality would be useful to contrast with actual closeness centrality to provide an index of communication efficiency with respect to closeness centrality. One way to think of this is to envision communication efficiency as similar to capacity utilization of production facilities. Capacity utilization measures the extent to which a company utilizes its production facilities. The highest efficiency approaches 100 percent utilization of a firm's facilities to maximize production and reduce costs associated with unused physical resources. An index of potential versus actual closeness centrality could serve as a comparable gauge of organizational efficiency of communication network utilization in transferring information between and among actors. The ideal index would find the ratio of actual centrality to potential centrality with respect to the geodesic (shortest path) distances between beginning and ending points of communication flows. The closer the ratio approaches 1.0, the more efficient the network. In other words, an ideal centrality efficiency index (CEI) would place current actual centrality in the ratio's numerator. The denominator would show the shortest
reasonable path, given the organizational structure from the origin of information to the final recipient of that information, where the final recipient is defined as that actor who makes a decision based on the information provided. Therefore,

\[ \text{CEI} = \frac{\text{Actual Centrality}}{\text{Potential Centrality}} \]

**P1: A theoretical index of communication efficiency with respect to closeness centrality can be calculated by measuring the ratio of actual centrality to potential centrality.**

Clearly, such a measure would be quite difficult to obtain in practice due to the possible number of network configurations. As the number of actors in a network increases, there is an exponential increase in the possible number of network configurations. However, a realistic and reasonable proxy of this theoretically ideal index may be constructed using easily obtainable measures. By placing closeness in the numerator and a measure of potential centrality in the denominator, a reasonable estimate of CEI may be calculated. An individual's closeness centrality in a connected network \( C_{cs} \) can be calculated using the formula:

\[ C_{cs} = \frac{(N-1)}{\sum d(i,j)} \]

where \( N \) = the total number of actors in the network and \( d(i,j) \) = the path distance between actors \( i \) and \( j \). Therefore, a formula that approaches the values one would obtain with the theoretical CEI is given by:

\[ \text{CEI} = \frac{(N-1)/\sum d(i,j)}{I(k)/\max(RD_{jk})} \]

The measurement of potential centrality is more difficult. However, Valente and Foreman (1998) have developed a formula they refer to as relative point integration. Relative point integration is the ratio between integration—the actor's connectedness in the network—and radiality—how well that actor's ties reach out into the network. In essence, relative point integration measures connectedness and reach. An integrated actor is easily reached by others, while an actor high in radiality is able to reach out into the network. By considering both the ability to reach as well as the ability to be reached, a broad measure of the potential for one to possess a high level of centrality is available.

Using relative point integration in the denominator of the CEI provides a rough measure of actual centrality versus potential centrality. The relative point integration is calculated by:

\[ I'(k) = \frac{I(k)}{\max(RD_{jk})} \]

\[ \text{CEI} = \frac{(N-1)/\sum d(i,j)}{I'(k)/\max(RD_{jk})} \]
Thus,

P2: A reasonable proxy of the theoretical index of communication efficiency with respect to closeness centrality is given by:

\[ CEI = \left( N - 1 \right) / \sum_{i,j} d(i,j) \sqrt{\left( x_i - \bar{x} \right) / \sigma \left( x_i - \bar{x} \right)} \]

Managerial Implications and Future Research Directions

Trust is an admittedly difficult construct to define (Bigley & Pearce, 1998). When applied to social networks and communication flows, the degree of difficulty is further exacerbated. However, despite the inherent difficulties, trust can serve as an important organizational resource (Gallivan, 2001).

Efficient and effective transfer and use of information is a potentially valuable organizational resource (Appleyard, 1996). When viewed as a resource, effective utilization of trust becomes a managerial concern. Managers should view trust as they do other intangible resources. The inefficient use of network patterns for locating information can be costly. Consequently, if managers can enhance the level of trust throughout a network, information search costs should decline.

This article is a first step toward developing a centrality efficiency index to measure communication flow efficiency in social networks viewing trust as a moderating variable. The next step would be to further hone the CEI and determine whether it is valid and reliable by adding error terms. In addition, there may be other measure of centrality that would be better suited to a measurement of communication efficiency. Structural holes—actors connected to otherwise disconnected others (Burt, 1992)—may be an appropriate construct for determining communication efficiency. Using structural holes in a CEI may be an alternative way to capture the nature of crucial information transfer within networks. Other moderators should also be considered. In addition to trust, constructs such as relational norms, competition within and between intrafirm work groups and business units, and organizational structure may be brought to bear.

Nevertheless, the CEI provides a starting point for further work. A robust measure of communication efficiency within social networks should enhance managerial consulting practice, particularly for those consultants and managers involved with firms undergoing downsizing, restructuring, and other drastic measures that affect employee's perceptions of security. A valid, reliable measure of the extent to which trust moderates this relationship would shed light on the efficiency with which information is transferred as organizations undergo such disruptive changes.

An index of the actual versus the potential communication flows would be ideal, but this ideal is limited by the impracticality of direct measurement of communication flows. However, this research has proposed that the CEI can serve as a reasonable substitute. The CEI, by approximating an index of efficiency, could be useful in analyzing the extent of factors that moderate communication flow efficiency. Thus, considering trust as a moderator, one would expect a direct relationship between trust and CEI. As trust increases, one would expect CEI to increase. As trust decreases, one would expect CEI to decrease.
References


Shopping for gold! A Ritual Experience

Huma Tariq, Donelda S. McKechnie, Jim Grant, Janice Phillips
American University of Sharjah, United Arab Emirates

Abstract
Possessing gold is firmly embedded in Indian customs and traditions although little academic attention has been paid to its significance within the consumer culture. This paper relates the gold-buying (shopping) activities described by seven expatriate Indian women in semi-structured interviews. They describe when, why and how they undertake the activities surrounding gold shopping. The findings position gold as an artifact and characterize gold-buying activities as a ritual. This research is set in the City of Gold, Dubai, United Arab Emirates. Quantitative data collection followed this qualitative phase in part two of the study.

Introduction
Possessing gold is firmly embedded in Indian customs and traditions (Dempster, 2006) although little academic attention has been paid to its significance within the consumer culture. Initial interest in this study developed from observing gold-buying activities in the Dubai Gold Souk after being introduced to the intricacies of supplying, manufacturing and retailing gold to Indian consumers (Siroya et al, 2005). Thus, the research began with questions whether Indians have distinctive consumer [culture] actions when buying gold. The study narrowed to the question ‘have gold-buying activities become ritualized in the Indian consumer culture?’ Three propositions frame the project: (1) when Indian women purchase gold, (2) why they buy and (3) how – described by actions and behaviours - they buy. This paper reports on the qualitative phase which involved in-depth interviews with seven women. Quantitative data was collected in part two of the study.

The Research Setting
The India demand for gold jewelry is 22% of the global market according to research conducted by the World Gold Council (Dempster, 2006). Additionally, India represents 35% of the net retail investment, including gold coins and gold bars. ‘India is the world’s largest consumer of gold in tonnage terms’ (Ibid, p 1). Gold is a formidable part of showcasing the Indian customs and traditions. The culture celebrates many religious festivals and occasions such as weddings when gold is worn as part of the colourful and lavish outfits. Giving gold as gifts is also very common.
An important consumer segment in the Dubai gold market are expatriate Indian people who live in the United Arab Emirates as well as others from India who are visiting (Siroya et al, 2005). ‘Souks’ and markets dedicated to gold products – jewelry, bars, coins, biscuits - have been set up for wholesalers and retailers to conduct business and to attract customers. Dubai, often called ‘The City of Gold’ takes advantage of the demand for gold by enforcing Federal Law No. 9 (1998) that sets rigorous hallmarking standards for controlling quality and karat (Dubai Municipality, Gems and Precious Metals Laboratory Services). Failure to abide by the regulations can mean offenders are penalized by fine or prison sentence (Farook, 2005). Of the world gold supply, one in eight to twenty is destined for Dubai (Mannan, 2006b) where at any one time, as much as twenty-five tonne of gold is on display in various shops (Mannan, 2006a)

Shopping for gold typically requires that some degree of bargaining or haggling over price takes place. When the customer asks ‘how much’, the gold is usually weighed and the cost calculated according to the world market price which changes daily. It is the fixing, or making, part of the price which is negotiable and subject to discounting as the salesperson and the customer move toward a mutually acceptable amount that will conclude the sale.

Literature Review

Early seminal research about Indian consumer culture is the Mehta and Belk (1991) study which focused on respondents using favourite possessions to maintain their Indian identity. Two respondent groups provided the data – one group who had emigrated to the United States and one group who still lived in India. Results found that expatriate Indians use artifacts and rituals to sustain their culture or at least to give the appearance that they have not lost their heritage.

In the Mehta and Belk (1999) study, the expatriates’ favoured possessions were traditional artifacts, whether authentic or reproduction. The items were valued for the link that connected them to the cultural community they had left behind. Gold, although not specifically mentioned as an artifact, is also a valued possession according to its significant role in Indian culture (Dempster, 2006). Gold is an artifact because the status it holds in the Indian culture designates membership to that culture (Craig and Douglas, 2006).

Gold is unique, however, because it is not necessarily a ‘cherished’ possession. Cherished possessions carry reminiscences about life and ‘… create a personal and durable sense of identity’ (Price, Arnould and Curasi, 2000, p 187). When gold is purchased with the intention that it will be passed to children, daughters in particular, at some future date, the ‘attachment’ is never solidified because arguably, it is never fully acknowledged as one’s own.

Gold possession could be said, then, to constitute culture and the role that gold plays in rituals sustains the culture. Rituals include consumer behaviours as well as occasions such as religious holidays, festivals, and marriage (Craig and Douglas, 2006). It is the meanings that underlie the activities and embed the norms into behaviours that bind people into a culture. Alternately, giving artifact status to gold in cultures other than the Indian may not be accurate. Within other cultures, gold does not typically hold as much value nor is its possession as inculcated into tradition and cross-generational relationships. Thus, generalization to other cultures and
consumer societies is limited without depth and accuracy of comparison across contexts and situations (Craig and Douglas, 2006).

The relationship of gold within the culture and the behaviour of the consumers as they go about their purchasing activities suggest that gold-buying is ritualistic. It is a social action that engages people with consumption. In turn, cultural values are reinforced through the meanings that gold brings to the society. Its significance is not diminished by issues such as price because the purpose for gold-buying, and thus the ritual, permeates the culture to reinforce identity (Luna and Gupta, 2001). Lastly, rituals from one culture that are performed within the environment of another culture do not necessarily reflect the values of the ‘host’ culture (Ibid, 2001). In the situation where expatriate Indians are enacting the gold-buying ritual within the ‘host’ Arab culture, the ritual is reinforcing the Indian culture while having little or no effect on the Arab environment. For this reason, gold-buying can be isolated as a ritualistic behaviour that, when explored, furthers understanding about the consumer society while contributing to knowledge about how the society is constituted and sustained.

Methodology

The initial phase of data collection was qualitative. Its exploratory nature was intended to provide descriptive information that would contribute to the development of the study’s quantitative part two. The link between consumers and buying behavior is guided by emic methodology which facilitates the understanding about people and culture issues wherein ‘…the cultural value system includes cultural elements that individuals have in common with the group(s) to which they belong, as well as idiosyncratic values unique to the individual’ (Luna and Gupta 2001, p 47)

Seven expatriate Indian women agreed to talk about buying gold – when they buy, why they buy and how they buy – in semi-structured in-depth interviews. The respondents were reached through snowball sampling. Demographic information is summarized in Table 1. The interviewer is a woman of Pakistani descent. It was felt that the Indian respondents would be more open to someone from a familiar culture. The ladies were telephoned, the reason for the call was stated and then they were asked to participate. Once they consented, the interviewer asked if she could meet with them at their home. Review of the data showed that the interviewer did gain the women’s confidence which added to the richness of the information collected.

Twelve statements, worded in the first person, were used to guide the discussions. They were pre-tested and refined before being taken into the field. During the interviews, each statement was read to the respondents who answered whether it applied to them. The interviewer probed for more in-depth comments by asking ‘why’ and encouraging discussion about elements of behaviour that contributed to their answer selection. Each interview was taped and transcribed. All were conducted in English which is commonly spoken in the United Arab Emirates despite the official language being Arabic.

The twelve statements were grouped under three propositions within the ‘when, why and how’ elements of interest:
P1 (when):  *Indian women buy gold at specific times - such as 'event' happenings (festive occasions) and/or special sales promotion periods (Dubai Shopping Festival)* – two statements

P2 (why):  *Indian women have specific intent (reasons) when buying gold* – four statements

P3 (how):  *Indian women have specific behaviour when buying gold* – six statements

**Findings**

P1 (when):  *Indian woman buy gold at specific times - such as ‘event’ happenings (festive occasions) and/or special sales promotion periods (Dubai Shopping Festival)* – two statements

The proposition’s two supporting statements used occasion specific situations for the respondents’ common reference points. Statement one (S1) considered the Indian culture and the various festive occasions that are celebrated, including weddings, religious events and holidays. Statement two (S2) asked whether buying takes place at special times of the year, such as vacations, or during sales promotions like Dubai Shopping Festival (DSF) and Dubai Summer Surprises (DSS).

S1 - *I buy gold for special occasions (weddings, traditional festivals, etc).*
S2 - *I buy gold at special times of the year (vacations, when there is a sale, during Dubai Shopping Festival, etc).*

Generally, respondents agreed that it is not a *must* to buy gold during special occasions. Some said that if they do buy gold, it is only for a wedding occasion. R2 stated, “I agree [to buy gold] for such special occasions like weddings or special festivals like Diwali that we have. We prefer to buy during special festivals, and we need to buy during weddings. It is a must to buy during these occasions”.

Buying gold during traditional or customary festivals is not necessarily part of their consumption pattern. This contradicted P1 that women do buy gold during festivals. R1 explained, “Because in India, we already have these big sets [of jewelry], we don’t have to precisely go and buy when there is an occasion. During weddings, we might make gold sets but usually we don’t go and buy them since we already have big gold sets. We don’t keep buying it all the time. We usually buy it once and use them over several occasions.”

Two respondents said that their gold purchases depended on the financial budget that they set for the year. In conversation, these women were very casual about their purchase behavior. They said they do not buy gold when it is an occasion-specific event. Rather, they prefer to buy once a year and the time depended on their mood as well as their casual visits to gold shops.

The statement, S2, focused on whether the purchase was a function of the yearly sales events that take place during Dubai Shopping Festivals or any specific time of the year such as vacations. Five respondents said sale periods do not effect their purchasing decisions nor do the Dubai Shopping Festival promotion activities. Two did say that they do buy gold before going on
summer vacations to visit relatives. R3 stated “I buy gold only during the summer vacations. This is because I am going to India, and thus, I have to buy gold for all my relatives.”

P1: The respondents’ comments indicate that traditional cultural events, celebrated away from home – where ‘home’ is defined as where they live – hold significance and that gold is an integral part of customs and traditions. Alternately, the respondents typically do not set out to buy gold at specific times such as during Dubai sale events when promotions are everywhere. Two respondents mentioned buying to give to relatives when traveling ‘home’ on vacation. This practice may be expected within their families or it may be part of her regional culture in India.

P2 (why):  *Indian women have specific intent (reasons) when buying gold* – four statements.

The proposition’s four supporting statements broadly covered financial (S3), personal (S4), religion (S5) and traditional value (S6) as the reasons for buying gold.

S3: *I buy gold because of its future investment value.*
S4: *I prefer to buy gold for myself.*
S5: *I buy gold for religious purposes.*
S6: *I buy gold because of the traditional value it holds for me.*

Four respondents said that their gold purchases are partly made with investment purposes in mind. They typically buy gold biscuits and gold coins when the purchase is financially motivated and occasionally gold jewelry fulfills the same objective. Interestingly, the women who do not have daughters tend not to consider gold as an investment instrument. On the other hand, those with daughters said that they will pass the gold to the daughters for their financial security. The three women who do not buy for investment said they want a more diversified investment portfolio rather than one which is made up entirely of gold. They added that they buy gold for wearing and gift-giving.

Personal use was the focus of S4. Direct reference about self-gifting was not made although it would fall within this statement. Three women said that they do purchase for personal use. Additionally, they also buy for daughters or friends. R3 said, “I feel it is a must to buy gold for my friends, relatives and cousins to perform two functions: one it acts as gifts, and the other as presents on weddings in family. So I only buy gold for others to give them on wedding or to give them as gifts.” One respondent said that ‘personal’ gold is bought to give in the form of Zakat (donations) by Muslims. Overall, responses indicate that gold-buying is not unilaterally done for personal consumption. Rather, gift-giving is very important regardless of whether it is for weddings or friendship or to acknowledge family relationships.

Open discussion about gold-buying for religious reasons was discouraged by the respondents. The statement was included because many of the Hindu festivals are linked to the worshipped Gods. Although the respondents said that their gold-buying was not for religious purposes, they would not elaborate on their answers. R5 did say that religious observance is a personal activity. The limited answers of other respondents suggests that they do buy gold for giving Zakat (Hindu) and Eid (Muslim) gifts or for giving to God to show one’s appreciation (by Hindus in their temples). It was clearly apparent that buying gold for religious reasons is a very personal activity which the respondents chose to keep private.
Five respondents said that buying gold as a traditional consumer activity was not a reason for them to purchase. Instead, they said that tradition considerations are part of the design selection. For example, respondents said that traditional designs are situation-specific such as what is worn for weddings. Alternately, if trendy designs are the preferred style, then they would be purchased for day-to-day or casual wear. R2 and R5, who are the older of the respondents, preferred traditional style jewelry when choosing designs. This suggests that age may be a consideration for style choice.

P2: The respondents' answers to each factor suggest that specific intent does underlie gold-buying activities. Gift giving, including to daughters for future investment - though ironically gold was not bought for any traditional value it held for the ladies - or as presents during weddings was an important reason. Another was buying for self-gifts. Buying gold for religious purposes is a private matter.

P3 (how): Indian women have specific behaviour when buying gold – six statements

The third proposition focused on whether Indian women display specific buying behaviour when purchasing gold. The statements that fit with this proposition sought answers to specific actions.

S7: I keep track of the market price of gold.

S7 asked about pre-purchase behaviour: ‘I keep track of the market price of gold’ had three respondents saying yes, they do, while four said they do not. R6 said that the price does not affect her purchase. Alternately, R1 sets a budget and then watches gold prices before going to buy. Those who do keep track of market price do so mostly through word of mouth from their friends and following the prices published in the daily newspapers. The extent to which this information (knowing about gold prices) drives their purchase (buying when price points are acceptable) is unknown.

S8: I prefer to go alone when shopping for gold.
S9: I almost always to go one salesperson when buying gold.
S10: I almost always to go one salesperson when buying gold.

Respondents were asked (a) whether they are typically alone when shopping for gold – S8, (b) whether they frequent one store (or shop around) – S9, and (c) whether they have a preference for dealing with the same salesperson when repeating purchase transactions at a particular store – S10. For the first statement, whether they are typically alone when shopping for gold (S8), most respondents said that they are rarely alone when buying gold. They said that they needed someone to be with them to help them decide. Some even mentioned that buying gold is a shopping weakness for them and they want someone with them to help with the decision making. Most respondents consider buying gold to be a huge purchase that involves serious thinking and scrutiny before making a decision. Their cultural society is one of collectivism, and this may be one of the reasons why group activities are integrated into the purchasing habits which the ladies described.
Most respondents prefer to purchase from one shop when buying gold (S9) and they have one favorite shop where they feel comfortable shopping. R3 said “I only go to Damas. I like going to that shop because I know the salespeople really well, and mutually, they know my taste really well.” Respondents also said that their decision to purchase is subject to change if they go to a few more shops and look around. R6 explained, “Because the designs are different in each shop, and so going to one is not compulsory. We do go to 3-4 shops all the time, and my favorite is Meena Jewelers.” Thus, shop loyalty is evident but the loyalty may not be strong enough to hold the respondents to one shop.

All respondents except R2 said they prefer to deal with one salesperson when buying gold (S10). Most had one favorite shop that they would always visit. Within that store, they mentioned a specific salesperson that they like to deal with. They said that over time they had developed trust and confidence in that person and he/she would show them gold jewelry that matched their taste. When asked about what characterizes an ideal salesperson, they said it is someone who is fully aware of the type of jewelry that is appropriate to their taste.

S11: I usually bargain with the salesperson when buying gold.
S12: I make my decision immediately (on impulse) when buying gold.

The final two statements under the third proposition focused on consumer actions – bargaining (S11) and impulse buying (S12) - within the service encounter. Four respondents said that they do bargain with the salesperson. They believe that the initial prices given are always set high - especially the making charges amounts that are included in the tag price. Some women said that they feel they have been fooled or cheated a few times so now they bargain during every purchase. Three respondents stated that the extent of their bargaining is very limited rather than taking it to an extreme. They use this tactic as a way of showing the salesperson that they trust what they are being told and expect to be given a fair price without the need for back and forth haggling about cost. Overall, on a personal level, the respondents did indicate that the bargaining process does make a difference to their decision making. Most will bargain to some degree but do not let it dominate the transaction to the point that they are likely to walk away from the purchase.

The last statement concerned whether they buy on impulse (S12). Four respondents said that the time it takes for them to make the decision whether to buy is relatively short and quick. This may be because they are familiar with the store, the repeated shopping experiences at that establishment and repeat purchases with one salesperson which reduces time spent in the encounter. The decision time also depends on their attraction to particular jewelry. They indicated that temptation to buy could override price when making a purchase decision. Regarding time, respondents said that purchasing for themselves takes less time than purchasing for others. R7 explained that when buying for relatives or friends, the decision process is prolonged because they take other factors into account such as the other person’s choice and taste etc.

P3: The series of questions for proposition three focused on specific actions that take place when respondents buy gold. Each respondent described her buying behaviour in detail - whether they go to one shop, one salesperson, take someone with them, bargain or buy on impulse. Keeping
track of gold prices, or not, may be a function of gold possession being embedded in the culture. The explanation given by each indicates that they have specific consumer actions when engaging in buying activities. Overall, they do respond to situations where they feel they can trust the shop to have designs that they like and the salesperson to give them a good price. Where trust was not present, it was because the respondents felt that they had been cheated in the past.

**Discussion**

It is apparent that gold is a valued possession in Indian culture. From the evidence reported herein, it is given artifact status by virtue of its traditional and cross-generational significance. Suggesting that gold-buying is a ritual in the Indian culture is supported by respondents’ comments to the when, why and how queried through the twelve research statements. Without hesitation, every one of the seven ladies related their gold-buying activities with definitive information (see Appendix Table 1). Quantity and frequency appeared to be influenced by the amount of gold received at marriage. Many respondents referred to the custom of receiving large gold sets at marriage and as a result, they repeat wear these items through cultural and traditional events rather than purchase ‘new’. Investment was mentioned as a key reason for purchase. Respondents with daughters said that they buy gold with the intent of passing it to their girls which was a more relevant concern than buying for investment.

Values provide the link between artifact and ritual. Values underlie the reasons that gold is purchased and at which times buying is considered to be a ‘must’ activity. Values are described in comments about giving gold down the generations as being an age-old custom in the culture. Mother to daughter, woman to woman, very clearly positioned gold as a way that women look after each other. Additionally, the older respondents spoke of ‘going back to their roots’ and feeling that gold is essential.

Gold-buying activities have each of the four components of the ritual experience described by Rook (1985): (1) ritual artifacts, (2) ritual script, (3) ritual performance role(s) and (4) ritual audience. Gold is the artifact. The Indian women indicated that they have a script. In some cases, the script begins with keeping track of the price of gold. In others, the script is initiated as vacation time nears leading to purchasing for relatives’ gifts. Performance roles are evident when they are accompanied by friends and/or family and their preference for specific stores and/or salespeople. The ritual audience, according to Rook (1985) may extend to the larger consumer society. Gold possession is significantly valued in the culture indicating that gold-buying constitutes and sustains the consumer society through its reach to the ritual audience.

Vitality of the ritual experience is measured by four criteria on a well-defined/vigorous (+), uncertain status (?), poorly defined/weak continuum (-). The four experience components are assessed as: ‘1. The nature and extensiveness of artifactual consumption, 2. The presence or absence of a well-defined ritual script, 3. The clarity of the participants’ ritual role perceptions, and 4. The presence or absence of a well-defined target audience beyond the immediate participants’ (Rook, 1985, p 256)

The first criterion, the nature and extensiveness of artifactual consumption (gold-buying) is addressed through the ‘when’ and ‘why’ propositions. ‘When’ identifies weddings or vacations
that mean staying with relatives and giving gold as gifts. ‘Why’ responses are distinctive for investment, recipient of the gold, and that fact that religion is excluded as a reason. All respondents knew whether it is the traditional or their own taste that influences selection. Arguably, the ritual vitality is well-defined.

Criterion two is measured by the presence or absence of a well-defined ritual script. All respondents were clear about the way they shop for gold. Going to one shop and/or one salesperson may have been preferred by some but others explained that they shop around. The older respondents said their gold-buying activities had diminished since they already possess huge gold sets accumulated over the years. The younger ladies said they are keen to try out new designs when shopping for gold. Regardless of age, each had a script and rarely deviated from that script. Again, ritual vitality is well-defined.

The clarity of respondents’ ritual role perceptions, criterion three, is also well-defined. They prefer to shop in the presence of friends or family who would ‘influence’ their selections. They maintain the role of buyer which supports the ritual vitality being well-defined.

Lastly, criterion four measured the presence or absence of a well-defined target audience beyond the immediate participants. As previously established, gold has artifact status within the Indian culture thereby assuring that ritual vitality is well-defined.

Limitations and future research

The results reported herein relate to the qualitative part of the research. Only seven respondents were interviewed which leads to the question whether their comments are truly representative of Indian women’s gold-buying consumer culture. An argument could be made that seven are sufficient given that gold possession is embedded in the Indian culture.

What wasn’t asked was the women’s source of income for making the purchases. Some of the respondents are homemakers while others have income from employment. A caveat to questioning the need for this information is that previous research has shown women are the dominant decision makers in expatriate Indian households (Ganesh, 1997). Thus, an argument could be made that the issue about income source is not central to the findings.

India is a large and diverse country with many subcultures. Variations in cultures across regions were not considered when the respondents were being interviewed and later when the data was being analyzed. Although respondents were asked which region they call ‘home’, no assessment about the extent to which gold is valued in their particular community culture was attempted. In a larger study, this may reflect a limitation. A recommendation for future studies would be to undertake a cross cultural comparison, region by region. Such efforts would add to richness of information about consumer culture and the way it is constituted and sustained.

Conclusion

The conclusion drawn is that gold is an artifact within the Indian consumer society. Social interaction in the community is facilitated through the linking value and the role that gold
represents in the culture. Gold possession is embedded in the customs and the traditions that carry significant importance to the people.

The finding from the qualitative phase of this study support that gold-buying is a ritual activity in the Indian culture. Gold-buying activities have each of the four components found in a ritual experience. The ritual vitality, when assessed according to the four criteria, is well-defined. Thus, when Indian women engage in gold-buying activities, they are enacting a ritual that is ‘...constructed of multiple behaviors that occur in a fixed, episodic sequence and that tend to be repeated over time. [Their] Ritual behavior is dramatically scripted and acted out and is performed with formality, seriousness, and inner intensity’ (Rook, 1985, p 252).

Finally, these early results indicate that Indian women are a distinct consumer segment. The product, in this case, is gold primarily in the form of jewelry. However, to some extent the women view gold as an investment vehicle which provides some measure of financial security for themselves and/or their daughters. This suggests opportunities for retail and financial establishments to use nationality when marketing to women customers noting that gems and precious metals have deeper significance beyond jewelry.

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### Appendix Table 1: Summary of positive/negative responses to twelve statements

<table>
<thead>
<tr>
<th>Statement</th>
<th>Agree</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1: I buy gold for special occasions (weddings, traditional festivals, etc)</td>
<td>2 buy for wedding occasions</td>
<td>5 do not buy for specific occasions</td>
</tr>
<tr>
<td>S2: I buy gold at special times of the year (vacations, when there is a sale, during Dubai Shopping Festival, etc)</td>
<td>1 buys when going on vacation to visit relatives</td>
<td>6 do not buy at specific times of the year</td>
</tr>
<tr>
<td>S3: I buy gold because of its future investment value.</td>
<td>5 buy with some investment intent behind the purchase</td>
<td>2 do not buy gold for its investment or future value</td>
</tr>
<tr>
<td>S4: I prefer to buy gold for myself.</td>
<td>3 buy gold for themselves</td>
<td>4 buy gold for others – relatives, daughters, daughters-in-law</td>
</tr>
<tr>
<td>S5: I buy gold for religious purposes.</td>
<td></td>
<td>7 said they do not buy gold for religious reasons</td>
</tr>
<tr>
<td>S6: I buy gold because of the traditional value it holds for me.</td>
<td>2 prefer to buy gold that suits their style and taste – which may or may not be ‘traditional’</td>
<td>5 disagree with the concept of buying ‘traditional’ gold</td>
</tr>
<tr>
<td>S7: I keep track of the market price of gold.</td>
<td>3 do keep track of the market price of gold</td>
<td>4 do not keep track on a regular basis – if they are going to shop, then they watch to familiarize themselves</td>
</tr>
<tr>
<td>S8: I prefer to go alone when shopping for gold.</td>
<td>5 always go with someone when buying gold</td>
<td>2 will sometimes shop alone but prefer to have someone with them</td>
</tr>
<tr>
<td>S9: I usually go to one shop to purchase gold.</td>
<td>2 go only to one shop – where they have been buying for some time</td>
<td>5 shop around – typically, respondents mentioned visiting 3 or 4 shops</td>
</tr>
<tr>
<td>S10: I almost always go to one salesperson when buying gold.</td>
<td>6 said they do go to only one salesperson or at least prefer to go to only one</td>
<td>1 said no – she said she does not trust the salespeople</td>
</tr>
<tr>
<td>S11: I usually bargain with the salesperson when buying gold.</td>
<td>4 bargain</td>
<td>2 bargain but keep it to a minimum – they don’t like to bargain; 1 does not bargain</td>
</tr>
<tr>
<td>S12: I make my decision immediately (on impulse) when buying gold.</td>
<td>4 buy quickly – but not necessarily on impulse as the shopping experience may be planned</td>
<td>3 do not buy quickly – 1 of the 3 said that when buying for others she takes the time to buy something that the gift receiver will like</td>
</tr>
</tbody>
</table>
The Liberal Arts in Professional School Courses
Richard J. McGowan
Philosophy and Religion Department
Pre-Law Advisor
Butler University
Indianapolis IN 46208

Philosophia est ars vitae--Cicero

Higher education often reflects the notion that professional schools and the liberal arts have little to do with each other or are antagonistic to one another. However, professional schools and the liberal arts need each other more now than ever. The curricular consequence of the last claim is ‘hybrid’ or integrated courses where the liberal arts are woven into professional school offerings. A prototype might be MG 262, a hybrid of ethics and law offered by the College of Business Administration at Butler University.

I argue that hybrid courses, integrated courses such as MG 262, may solve problems associated with the liberal arts as they add value to professional schools. First, I offer commentary about the dire straits of the liberal arts. Second, I show the goals and nature of the liberal arts. Third, I show that the history of the liberal arts suggests engagement with professional schools. Finally, I offer a description of a possible prototype for integrated courses.

The Perilous State of the Liberal Arts

Today, the viability and existence of the liberal arts seem to be in doubt. The American Council of Learned Societies convened a 2003 conference entitled “Liberal Arts Colleges in American Higher Education: Challenges and Opportunities.” While the
conference intended to examine the narrower question of the place liberal arts colleges hold in America, the presenters could hardly conduct that examination without also addressing the place of the liberal arts in higher education.

Francis Oakley, President Emeritus of Williams College, the pre-eminent liberal arts college, observed “the degree to which talk about the liberal arts sector of American higher education has come to be embedded in one or another narrative of decline.” (2) Sorum’s “The Problem of Mission: A Brief Survey of the Changing Mission of the Liberal Arts” observed “the fragile condition of the liberal arts today and of the decline in the number of degrees during the past century.” (27) She noted “worrisome statistics… 20 percent of the B.A.s are in business, 10 percent in education, and seven percent in the health professions. Furthermore, in 1970, English majors were 7.6 percent of B.A.s, but by 1997 they were only 4.2 percent, while mathematics majors dropped from three percent in 1970 to one percent in 1997.” (27)

The President of the Massachusetts College of Liberal Arts said the conference “has left me more worried than I had been about the many challenges facing public liberal arts colleges” (Grant, 178) and the President of Sarah Lawrence College commented that “the signs are troubling” with regard to the liberal arts. (Myers, 197) A former president of Carleton College and of Skidmore College remarked that the public does not understand well, if at all, what an education in the liberal arts offers. (Porter, 206) The President of Williams College said that “we may reasonably lament the decreasing share of undergraduates enrolled at liberal arts colleges…argue that there are all too many business majors spending their undergraduate days engrossed in the study of
accounting, management, and marketing, or education majors studying pedagogy and administration.” (Schapiro, 218)

The observations and laments of the ACLS conference echo a 1994 meeting of the American Academy of Arts and Sciences. The meeting was called “to consider the unpleasant omens of liberal education that have been appearing as the end of the millennium is reached. A pessimist would include among them the end of the long period of economic growth for colleges, the decline in public support, the discovery that financial aid for tuition can be an Achilles’ heel in times of rising costs, and the increasingly uncritical dependence of the public on the mass media and information technology, as well as a host of other external pressures and internal confusions.” (Farnham, 3)

In the fall, 2003, the Association of American Colleges and Universities featured an article entitled “The Morphing of the American Academic Profession,” which noted cultural trends, including “the decline in the traditional liberal arts.” (Finkelstein) My colleague, Marshall Gregory, states the matter bluntly: “liberal education is in a battle for survival in the contemporary university and needs all the friends it can get.” (friends, 56)

The view that modern American culture does not support the liberal arts is commonplace. Gregory might say that “there are many reasons why this might be so—the fact that most of our students have had their minds and emotions shaped by America’s media culture instead of by books, for example, and the fact that America’s ‘youth culture’ focuses so much on entertainment rather than on development.” (turning, 95) A significant complaint from among liberal arts educators is that the public sees education as career-preparation. Fix says that “Perhaps more acutely than at some other
historical points, and maybe because of the broad expansion and democratization of higher education since World War II, a college degree is often seen today primarily as a vehicle to economic success—for the individual, and for the society at large.” (42) It seems as though cultural forces are arrayed against an education in the liberal arts.

However, schools and universities themselves share in the responsibility for the reduction of the liberal arts. If students cannot or do not understand that a liberal arts education connects to lived experience (and is thus applicable to a career), liberal arts instructors are often to blame. Gregory complains that “far too many students have been trained—and, what an irony, trained by us, their teachers—to compartmentalize their minds into sections which oppose ‘real life’ against ‘school work,’ and which also opposes the content of one class against the content of all other classes.” (disjunctions, 2) In other words, and as the American Council of Learned Societies’ conference suggests, liberal arts educators themselves have had a hand in the demise of a liberal arts education.

In addition, liberal arts faculty, like the ACLS speakers above, often blame other schools on campus as a source of trouble. For instance, Gregory believes other academic interests mitigate against the liberal arts, specifically, “faculty members from professional and preprofessional programs, who love to insist that students’ progress should be measured exclusively by grades and skills…Such people almost always talk in narrow, instrumental terms about what a student is to do, rather than talk in broad terms about who that student is to be.” (luxury, 2003) Gregory believes that the consequence of this pattern is the “trivialization of education.”

Other educators disagree with Gregory’s assertions. Coplin, of Syracuse University’s widely respected Maxwell School of Public Policy, hammers the liberal arts
professorate for their lack of connection to student lives: “I was plenty angry at a system that treated all students as if they were in college to learn for the sake of learning when in fact the vast majority wanted college to prepare them for a successful career. I wanted to learn about life; they wanted me to lose myself in the life of the mind. Not much has changed over the past 48 years…” Yet Coplin states that student skills should include “dependability, attention to detail, teamwork, obtaining and analyzing information, problem solving, and writing clearly.” Coplin’s list of student skills satisfies liberal arts objectives.

Liberal Arts Objectives

Education serves the paradoxical goals of liberating the student to think independently and socializing the student for a place in the community. Education, including the liberal arts, individuates and socializes. As Sorum observed of the history of the liberal arts, a “liberal arts education had both a moral and a political mission”(32) She acknowledged, too, that Plato’s “education is designed to create and maintain the state through educating useful and just citizens.” (30) Finkelstein thinks similarly, observing that higher education as a social institution prepares young people for citizenship and for pursuit of knowledge partly “for knowledge’s sake.”

Commenting on the debate between W.E. Dubois and Booker T. Washington about the liberal arts and vocationalism in higher education, Horowitz states that in the old days, professors “saw their charge as developing the whole person. Moral philosophy…came to represent the goal of the entire enterprise.” (22) Myers reiterates
these claims when she states that our colleges need “to teach democratic arts” and be places where “democratic arts can be practiced and civic engagement promoted.” (200)

Gregory (2004) confirms the importance of liberal arts objectives, as broadly stated above. He asked faculty from professional schools to construct a list of their most desired learning outcomes. He found that “their list of most desired learning outcomes was identical to the list of most desired learning outcomes usually constructed by humanities and sciences faculty.” (1) The most desired learning outcomes include wanting students to “become more open-minded…become more introspective…think more critically…become better problem solvers…use evidence more responsibly…find joy in learning for its own sake…show greater ethical concern for other people.” (1) Gregory found that while professors primarily teach disciplinary knowledge, the learning outcomes are not compartmentalized, even in the professional schools.

It appears that professional schools yearn for liberal arts objectives. The view Gregory uncovered is expressed in such articles as “Future CEOs May Need to Have Broad Liberal-Arts Foundation.” (Wall Street Journal, April 12, 2005) The AACSB’s push for more ethics education in business schools, as noted by Hicks, also suggests the need for content from the liberal arts in professional schools. One consequence is the presence of liberal arts educators in professional schools.

The Liberal Arts in Professional Schools

A serious liberal arts presence in professional schools is consistent with the greatest philosophers of all time, Plato and Aristotle. Plato’s *Meno* asks about the possibility of teaching virtue. In it, Socrates says to Anytos, “If we wanted Meno to
become a good doctor, shouldn’t we send him to doctors to be taught? And if we wanted him to become a shoemaker, to the shoemakers? And so on with the other trades?”

(90aff) Meno, Anytos, and Socrates pursue this line of reasoning and realize that the question is not about who is good or bad, but who is capable of “handing over to another” the knowledge of the good. (93b) Plato pursues this same argument in the Republic and concludes that teaching ethics demands conceptual knowledge unavailable to people without “adequate training.” (374c)

Aristotle embellishes Plato’s argument by discussing, in Metaphysics, book 1, chapter 1, the difference between the “man of experience,” i.e., the practitioner, and the artist, i.e., the person who has conceptual knowledge. He points out that “people of experience succeed even better than those who have theory without experience.” (981a14-15) In other words and as Aristotle acknowledged (981a20-22), the person with conceptual knowledge alone will often fail. However, “artists can teach, and people of mere experience cannot.” (981b18-19) Yet Aristotle suggested that teaching should not be entirely dedicated to experiential concerns: “the discussion of such matters [wealth-getting] is not unworthy of philosophers but to be engaged in them practically is illiberal and irksome.” (Pol. 1258b9-12)

Finally, many other famous philosophers acknowledge that the ‘real world’ demonstrates fundamental human problems attached to experience. Klonoski pointed out that Aristotle, St. Thomas More, Adam Smith, even St. Thomas Aquinas understand that a fundamental human problem involves the exchange of valued items. Human beings must engage in commerce of some sort. “David Hume, in his essays, ‘Of Commerce’ and ‘Of Refinement in the Arts,’ and Smith, in The Wealth of Nations, argue that human
beings have a natural tendency or propensity to engage in the commercial activities of
exchange and barter.” (Klonoski, 27)

Plato observed that philosophers ought to be attentive to the world of experience,
or, in today’s terms, the world of professional schools. In the Republic, he told his
brother’s namesake, Glaucon, that “we must take most care that each one of us shall
disregard all studies, except this one study…to know a good life from a bad, and to
choose always and everywhere the best that the conditions allow.” (618b-c) In other
words, philosophy is the best study but it is embedded in the world. And as Plato
famously wrote, the freed prisoner from the cave must return to help others, in this case,
to help students appreciate the liberal arts.

Ken Bain and his colleagues studied professors from various disciplines to
determine what made for outstanding teachers. One of the findings was that outstanding
teachers “create a natural critical learning environment. ‘Natural’ because what matters
most is for students to tackle questions and tasks that they naturally find of interest…
‘Critical’ because by thinking critically, students learn to reason from evidence and to
examine the quality of their reasoning, to make improvements while thinking, and to ask
probing and insightful questions.” Bain states that “this is, by far, the most important
principle” of good teaching. Or, teachers do well to tackle questions that students
naturally find of interest.

The reality is that students are attending professional schools in greater numbers.
But if that is where the students are, what prevents the liberal arts and liberal arts
professors from entering those schools? Little that I can see: the next shift in how
schools ‘deploy’ the liberal arts involves greater cooperation and interdisciplinary work
among the professional schools and the school of liberal arts. A liberal arts education must be woven into the curricula of professional schools. Further, such courses will be consistent with the missions of professional schools and of liberal arts colleges, as Katz noted: “Ironically, at the end of the twentieth century, the liberal arts seem to have become ever more practical, though neither the critics of undergraduate education nor the public at large seems to be aware of this fact. Americans are living longer and changing careers more often in a world whose demands they cannot predict…Our society needs citizens who can rapidly adapt…those young people will be best served by an education sufficiently liberal and unspecialized that they are primarily trained to be broadly knowledgeable and to think clearly and creatively.” (82)

If students find interest in career preparation, as so many educators have remarked, then professors in the liberal arts would be wise to devise courses to accommodate those interests. Classes, then, might be a combination of material appropriate to professional schools and the so-called unspecialized material from the liberal arts. As Fix states, “it seems easy enough to imagine that a liberal arts institution can develop in students both the skills they need to become useful contributors to society and the richly textured inner life that will make them ethically grounded, aesthetically alert, and alive to imaginative possibilities.” (41) By his phrasing, Fix suggests his next thought: while it seems easy, it is not.

A Potential Prototype

For several years, a colleague and I have taught MG 262, an integrated liberal arts and professional school course. MG 262 covers the material typically found in a business
ethics course as well as introductory material related to law. The philosophical content of MG 262 is a direct transfer of content from the former, stand-alone, business ethics course. MG 262 uses the same textbooks, includes the same basic content, and expects the same sort of reasoning skills from the students. That is, students are expected to pursue ideas in a critical fashion, investigating alternative positions, and formulating judgments on questions of a non-quantitative nature.

The business ethics textbooks used so far have been standards—Velasquez’s Business Ethics: Concepts and Cases, now in its 6th edition, and William Shaw’s Business Ethics, (now in its 5th edition). The textbooks were written from a philosophical perspective and cover the standard areas most basic business ethics texts cover. While the textbooks focus on contemporary issues, both textbooks pay attention to historical development of ideas, for example, the ideas of Locke, Smith, and Marx, and their subsequent appearance in material culture.

The textbook for the legal material also provides a sense of historical development. By and large, the textbook covers legal material on a variety of topics, such as constitutional law, the employee-employer relationship, the nature of dispute resolution, and administrative law. Students are expected to deal with the concepts and argument from the textbook and they are expected to see how the world of ideas manifests itself in contemporary issues.

Hence, students are expected to stay abreast of current events. For example, the hearings for the recent Supreme Court nominees (and subsequent Justices) were discussed in class. We have discussed such issues as CEO compensation, the limits on
free speech, procedural fairness (e.g., with the Scott Peterson trial), and other events that meld ethics and law. The result is a course that fuses the practitioner and artist together.

The course meets cultural trends head on. Many young business students think that courses in the liberal arts have no value—that they are courses simply to get out of the way. It is not until later that graduates, sometimes 20 years later, come to realize otherwise. However, students in MG 262 realize it by the time we finish the course.

It is easy to see why. The course’s legal material presents an introduction to law spectacularly useful for citizens in a democracy and enables individuals in our society to function at a higher level. As a matter of fact, people would read a newspaper with more clarity and understanding if they knew the difference between criminal law and civil law. As a matter of fact, people in our society would be more equipped to make decisions on administrative agencies were they to know the procedures of administrative law. As a matter of fact, people would have a healthier appreciation for judicial procedures were the rules of discovery to be part of their knowledge.

MG 262 is an introductory level course that enables young people to see more clearly their place in our society and to see more clearly how our society functions. The content, involving both philosophical concepts and practical knowledge, satisfies the goals and purposes of the liberal arts.

Conclusion

If the liberal arts are practical and connect to the ‘real world,’ it would behoove liberal arts professors to demonstrate those connections. Certainly, Thomas Aquinas would agree. He argued that three kinds of life avail themselves, namely, an active life of
experience and little thought; a contemplative life of thought and little worldly engagement; and a contemplative-active life, where thought and deed are balanced. The contemplative-active life suggests that concepts are embedded in but also shape lived experience. Integrated courses use the contemplative-active model and as such, serve both the liberal arts and professional schools. Courses like ours allow students to be more equipped to deal with real life while pointing them toward the world of ideas. Whether we are successful or not is for our students to demonstrate, now and in their future.
Resources

Aristotle, Politics


Mary K. Grant, “The Challenges Facing Public Liberal Arts Colleges,” in Yu, ibid: 178-187


-----------------, “Pedagogical Disjunctions, Or, if I Want My Students to be Mainly Learning X, Why Do I Think Mostly About Teaching Y?” Journal of Cognitive Affective Learning 1 (October 2004)


Harry E. Hicks, “The Integration of Law and Ethics,” Journal of Learning in Higher Education 1.1: 63-66


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Francis Oakley, “The Liberal Arts College: Identity, Variety, Destiny,” in Yu, ibid, 1-14

Plato, The Republic

Morton Owen Schapiro, “Liberal Arts Education at Large Research Universities and at Small Liberal Arts Colleges,” in Yu, ibid: 218-224

Smarter Escalation of Technical Support Calls

Randy Ryker, Professor, Information Systems
Chris Cox, Professor, Marketing
Bruce McManis, Professor, Finance
Nicholls State University
Thibodaux, LA 70310

Abstract

Practically everyone at some point in time has experienced frustration when contacting a technical support call center. Unfortunately, that experience is likely to be repeated, because dissatisfaction with technical support call centers is on the rise. We believe new approaches to improving these services should be explored. This paper proposes an approach called smarter escalation which involves measuring customers’ experience with troubleshooting, and then routing customers with a high level of experience to a Level-2 service representative as their first point of contact. The goal of smarter escalation is to provide the following four benefits: (1) increase customer satisfaction, (2) increase job satisfaction for Level-1 service representatives, (3) reduce customer wait times for Level-1 service representatives, and (4) increase the percentage of problems solved on first contact. The need for technical support is here to stay, and new ways to improve it should interest a wide range of computer professionals.
Smarter Escalation of Technical Support Calls

Technical support call centers are designed to provide after-the-sale service for firms in the hardware, software, and other high-tech industries. Numerous studies of such call centers have reported high levels of dissatisfaction with their services (Consumer Reports, 2004; Dawson, 2004b; Desmond, 2004; Johnson, 2003; Lundquist, 2003). Users with troubleshooting experience especially dislike these call centers and do everything possible to avoid them. In addition to using their best troubleshooting skills, they check the manufacturer’s FAQs, ask co-workers for help, and even wade through the user manual before they call the support center.

What they’re avoiding is not just the long wait times or convoluted menu systems. What many experienced users dislike most is dealing with Level-1 service representatives who have been instructed to use a troubleshooting script. A typical scenario that frustrates experienced users goes like this:

Caller: I’m having a problem with xyz…
Service Rep: Let’s turn off your computer, wait two minutes, and then turn it back on and see if that solves the problem.
Caller: I’ve already done that.
Service Rep: Please do that again for me.

The process wastes everyone’s time as the Level-1 service rep attempts fixes that the caller already tried (Johnson, 2003; Lundquist, 2003; MacVittie, 2001). Only after the script has been exhausted will the Level-1 rep consider escalating the call to Level-2 where more skilled technicians begin to think critically about the problem. As described above, the tiered model, sometimes called the front-line/back-line approach, is commonly used in technical support call centers (Tourniaire & Farrell, 1994). This article proposes improvements to the model.

The new approach, we refer to as smarter escalation, involves measuring customers’ troubleshooting experience and then routing those with a higher level of experience directly to a Level-2 service rep. The potential benefits of smarter escalation include: (1) an increase in customer satisfaction, (2) an increase in job satisfaction for Level-1 service reps, (3) a reduction in customer wait times for Level-1 service reps, (4) an increase in the percentage of problems solved on first contact and as a possible side benefit, (5) an increase in the rate of product registration.

Background
A number of efforts have been made to try and improve call centers. The technological side of the business has undergone considerable change over the last twenty years (Dawson, 2004a). Beginning in the 1980’s automatic call distribution (ACD) systems were popular. These systems use proprietary hardware and software for routing calls to service representatives based on a wide variety of criteria. By the early 1990’s, due to their closed architectures, ACDs could not easily communicate with the increasingly sophisticated software applications that existed on corporate networks. Computer telephony integration (CTI) systems were developed to help solve this problem. Today, the Internet is being used to organize multiple call centers into one effectively managed
whole. The near-zero transmission costs across borders, combined with relatively low labor costs, makes locations like India attractive as call centers. More sophisticated software is also on the market, including applications that handle issues like service rep management, workforce optimization, supervisor monitoring, and real-time analytics (Dawson, 2004a).

With several new technologies available for call routing, one might think that caller satisfaction levels are on the rise. Sadly, just the opposite is the case (Consumer Reports, 2004; Dawson, 2004b; Desmond, 2004; Johnson, 2003; Lundquist, 2003). It is important for business leaders to realize that while call center workers think only 2% of customers go away “not very satisfied,” in fact a disturbing 29% of customers say they were not satisfied (Dawson, 2004b). This is particularly significant since a large majority (75%) of call centers use customer satisfaction as the primary metric for determining the success of the center, above other measures like call duration and even sales (Dawson, 2004b).

It is not the intent of this article to minimize the efforts of those who have developed hardware and software solutions for the call center industry. However, in light of the disappointing customer satisfaction reports, the authors believe that new approaches to improving technical support need to be considered.

A New Approach – Smarter Escalation
Level-1 service representatives are relatively inexperienced workers who are generally required to use a basic Level-1 troubleshooting script. The types of problems that they can solve have been anticipated by the vendor organizations, and the solutions simply need to be retrieved and delivered with minimum modification.

The key to the new approach is to use information about customers to predict the most appropriate service level for them. Specifically, smarter escalation involves measuring customers’ troubleshooting experience, and then using that information to route customers directly to their most appropriate level of support.

Smarter escalation is an extension of a process already used by some manufacturers. For example, if a technician in an IT department calls a computer manufacturer for support, the call is handled differently than if the same technician were to call from home regarding a product they purchased. In the former situation, the vendor knows the call is from an experienced user, so it is routed to a service rep accustomed to solving problems of experienced callers. Smarter escalation applies that same reasoning to all who call for technical support.

A potential concern with this approach is that demand for the more costly Level-2 service reps may grow. However, over time, we do not expect that to be the case. The intent is not to send more users to Level-2 support reps. Rather, the intent is to identify users who are likely to require Level-2 support, and route them there as their first point of contact. The goal of smarter escalation is to provide the following benefits:

- Customer satisfaction should increase for experienced customers, because they do not have to follow a Level-1 rep through a Level-1 script before being escalated to Level-2.
• Job satisfaction for service reps should increase, because Level-1 reps would be appropriately matched with relatively novice users and their problems. This should also result in a lower turnover rate for Level-1 service reps.
• Customer wait times for Level-1 reps should be reduced, because experienced callers will bypass them. Shorter wait times should result in a lower abandonment rate (the percentage of callers who hang up or disconnect prior to answer).
• The percentage of problems solved on first contact should increase, because experienced callers and experienced service reps can begin critical thinking on the problem from the first minute.

The technology for smarter escalation already exists. Either a CTI or an old-style ACD could be used. Both systems enable the automatic routing of calls based on the characteristics/needs of the callers and the skills of the service reps. For example, if a Spanish speaking customer calls with a problem related to a particular software application, the system can route the caller to a rep who can both speak Spanish and has skills with the specific application.

To implement smarter escalation using either system, the first step would be to measure and record the experience level of the customers. Once that is done, the system could be programmed to use the experience of the caller to route incoming calls to the most appropriate service level.

This raises the question of how to measure a customer’s experience level. To be considered experienced, customers should, at a minimum, routinely attempt to diagnosis their own problems before calling technical support. This includes performing the items in a typical Level-1 script. Based on earlier studies (Desmond, 2004; Goldsborough, 2004; Snyder, 1999), as well as the authors’ experience with technical support, we suggest the following four questions as a starting point. The possible responses to each question are: Always, Sometimes, Never, and Don’t Know.

Before Calling Technical Support Do You:
1. Reboot the system to see if that solves the problem?
2. Write down the exact error message if one is displayed?
3. Try to recreate the problem and note the steps leading up to the problem?
4. Search available FAQs for a solution?

We suggest that a customer who responds with “Always” to all four of these questions would be better matched with a Level-2 service rep rather than the current default Level-1. On the other hand, a customer who responds “Sometimes,” “Never,” or “Don’t Know” to all four questions would be best matched with a Level-1 service rep. Beyond these two extremes, companies will want to fine tune the scoring based on their experience with the new approach. In addition to the four questions above, companies may find it useful to add product specific questions. For example, a company’s Level-1 script could be used to develop a list of relevant questions for the customer. Once data are collected, either discriminate analysis or a neural network could be used to determine which customer responses best predict the need for Level-1 versus Level-2 support. Customers who are likely to require Level-2 support would be routed there as their first point of contact.
To date, no company has reported collecting information about the troubleshooting skills of their customers. This raises a question of when is the best time to measure and record this information. If customers are asked these questions when they first call for technical support, they may be annoyed by questions that seem unrelated to the immediate problem. We suggest it would be best to capture this information when the customers register their products. At that time, there is no reason to believe that the customers are under any unusual stress or time pressure.

Should the customers be told what the information is being collected for? If they are told of the plan to use the information to help better route calls to the appropriate service level, this might serve as an incentive for them to supply the information. In fact, a well-crafted notice of how the information is to be used may result in an increase in the rate of product registration, especially among the more experienced users. On the other hand, telling customers may encourage relatively novice customers to inflate their experience levels by answering “always” to all of the questions. To address this potential problem, the Level-2 service reps should be empowered to lower an experience rating, if the customer calls with a problem that could have been easily resolved at Level-1.

**Conclusion: Smarter Escalation Would Be Welcomed**

Companies should realize that their call centers affect how their products are perceived – either positively or negatively. Unfortunately, over the last few years, the trend in satisfaction with technical support has been negative (Consumer Reports, 2004; Dawson, 2004b; Desmond, 2004; Johnson, 2003). Clearly, there is a need for better approaches to technical support. In summary, because smarter escalation enables experienced computer users to bypass Level-1 support, the less-experienced users should have shorter wait times for that level. The Level-1 service reps should be more satisfied with their jobs, because they are more appropriately matched with relatively novice users and their problems. This is important, given that the attrition rates for service reps can reach 35% per year (Johnson, 2003). At the same time, experienced computer users should be more satisfied, because their initial contact with technical support is with a Level-2 technician who is prepared to use critical thinking from the first minute of the call.

Due to these potential benefits, the concept of smarter escalation should appeal to a large majority of consumers and providers of technical support. Although field research is needed to determine the most appropriate ways to implement the concept, the technology is readily available, and this article suggests a variety of ways to proceed. To the extent that the benefits are realized, early adopters of the approach stand to gain a competitive advantage.

One thing is certain. For the foreseeable future, new hardware and software products will require technical support. Companies that decide to try smarter escalation should experience an increase in customer satisfaction. That in turn should translate into greater customer loyalty. We believe that experienced computer users everywhere will say “thank you very much!”
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The Influence of the Islamic Profit and Loss Sharing Scheme on Return from Investment and Deposit Accounts: An Empirical Study

Charlie Charoenwong  
Nanyang Business School  
Nanyang Technological University  
Singapore

Ramin Cooper Maysami*  
Department of Economics, Finance, and Decision Sciences  
School of Business  
University of North Carolina at Pembroke  
ramin.maysami@uncp.edu

David K. Ding  
Department of Finance  
The University of New South Wales (Asia Campus)  
Singapore

* Corresponding Author: Professor and Chair, Department of Economics, Finance and Decision Sciences, School of Business, UNC-Pembroke, One University Drive, P. O. Box 1510, Pembroke, NC, 28372. Tel: 910-522-5707; e-mail: ramin.maysami@uncp.edu.
The Influence of the Islamic Profit and Loss Sharing Scheme on Return from Investment and Deposit Accounts: An Empirical Study

Abstract

The prevalence of Interest-Free Banking, based on the Profit-and-Loss Sharing premise has attracted researchers and practitioners over the last decade. An important area of concern is whether, in addition to philosophical and religious concerns, “financial returns” are determining factors when investor and/or depositors search for financial institutions and products. The first goal of the current study, then, is to compare the returns from Islamic banking systems to the returns from conventional banking, through evaluating the differences in equity returns from the two banking types.

The study employs the monthly index figures from the Kuala Lumpur Stock Exchange (KLSE) to compare the returns from Islamic equity, as represented by the Syariah Index representing Islamic equity, with the returns from conventional equity, represented by Kuala Lumpur Composite Index (KLCI), during the 61-month period beginning May 1999 and ending in June 2004. Month-to-month percentage changes in the raw indices were calculated and used as the basis for the statistical analysis of equity returns between the two different banking systems.

Next, we compare returns from deposit accounts in Islamic banks against those in conventional banks over the same 61-month period.

A single country case study effectively removes the influence of all country-based error-inducing factors such as market size, investor behavior and other economics and political climates from an exploratory statistical and empirical analysis such as ours. Malaysia is used as the testing grounds for our hypothesis for several reasons: a strong economy and a sound banking system--essential ingredients for the purpose of the empirical study; (2) explicitly stated Islamic banking regulations and legislation, based on the Islamic Banking Act (IBA) of 1983; (3) A vibrant and well-structured Islamic banking sector accounting for about 10% of the market, and forecasted to hit 20% by 2010; and (4) the regulatory powers of Bank Negara Malaysia over both types of institutions which results in a parallel set of regulations covering both types of financial institutions.

The results show that the return from investment and deposit accounts under Islamic banking are not consistently different than the returns from similar accounts held at conventional banks and financial institutions, pointing to the fact that the two types of products may be close substitutes for each other, as long as the philosophical and religious reasons for holding them are not concerned.
Abstract
This exploratory research examines the penetration of knowledge management vocabulary words into general business parlance. The authors constructed counts of the relative frequency of knowledge management words in 10k reports of 40 randomly chosen publicly traded U. S. companies. Results indicated that many of the vital knowledge management concept words were never used at all in more than 665,000 words. Those words that did have significant frequency were those that had more general meaning than just KM. Using 32 words that did have a significant frequency of occurrence, the sample was split into two halves: 20 high knowledge management companies and 20 low knowledge management companies. Results indicate that 14 KM words did occur significantly more often in high knowledge management companies.
Introduction

As to moving ideas around diverse businesses that don't have a lot in common, General Electric does this because it has to. If it doesn't, then it is just a holding company . . . A breakthrough in GE’s Medical Systems business, with relatively little modification, led to a method by which an aircraft engine can transmit continuous information about blade speed, engine heat and other relevant data about its in-flight performance well in advance of any possible safety situation. This innovation, in turn, catalyzed an important new development with respect to a self-monitoring system for use with heart pacemakers. I could cite any number of other examples having to do with sharing methods of selling, sourcing techniques, procedures for improved storage and security of data and so on. (Steve Kerr, VP of Corporate Leadership Development and chief learning officer, General Electric Corporation as quoted in Miller, Fern, & Cardinal (2007).)

Knowledge may well be the most important intangible asset that a firm controls (Liebeskind, 1996). Indeed, there is some evidence that knowledge management (KM) practices have an effect on overall firm performance (Marqués & Simón, 2006) and the application of inventions to technological development (Miller, Fern, & Cardinal, 2007). Those who have been stressing the importance of intangible assets for sustained competitive advantage recognize that knowledge management is crucial to firm success.

The importance of knowledge management has been enhanced by reduced product life cycles, high mobility rates of educated knowledge workers, and the increased merger and acquisition activities around the globe. Knowledge Management (KM) is a young management theory which emerged in the 1990’s and focuses on how the creation, transfer, retention, and utilization of knowledge can be managed within organizations and applied to business processes in order to gain a competitive advantage. Initiated by the globalization, labor-intensive manufacturing has moved from the developed countries to low-cost labor countries around the world: While in the 1960’s almost 50% of all workers in industrialized countries were employed in manufacturing-related jobs, in the new millennium this proportion is down to about 20% (Drucker, 1994). A recent OECD study highlights the service sector (perhaps the most dedicated users of KM) to be the quantitatively most important sector in almost all OECD countries, contributing 70% of all economic value added (Wölfl, 2005).

Textbooks on knowledge management point out how companies have built knowledge repositories that support customer knowledge, product development knowledge, customer service knowledge, and human resource management knowledge (e.g. Awad & Ghaziri, 2004). Search any major business program in the United States or Europe, and you will get at least a dozen hits for the term Knowledge Management. Knowledge management
topics appear in the popular and business press, attendance at KM conferences and seminars is increasing, specialized KM journals provide forums for the dissemination of new knowledge, and the proliferation of KM courses at the post-secondary level signals awareness of the importance of the area to society. Some organizations have even begun using job titles like: knowledge developer, knowledge facilitator, and chief knowledge officer. These trends are both reflective of the value of KM and indicative of its future potential for enhancing many areas of society.

The importance of language in knowledge management

Language is the principle medium of thought. When people do not have the requisite terms and concepts, it is difficult to think or talk precisely about a topic. In order to think precisely about knowledge management (KM), we argue that it is necessary to use the terms that have developed in the field. This paper examines the extent to which those terms appear in 10 Ks, the most concise and thoughtful of corporate self descriptions.

Firestone (2001, p. 3) defines knowledge as “validated linguistic formulations about the world, the beautiful and the right.” Building on the importance of language, we explore how the words used by business firms to describe themselves is reflective of their value system . . . what they view as important to their success and how they view themselves as distinct. This study is an exploratory study of the KM words used by business organizations in describing themselves and their activities as a means of marking the development of KM as a business activity.

Method

Sample of Firms

We created a stratified random sample of forty publicly-traded American corporations where the sample strata are developed to capture the extremes of reliance on, and use of knowledge management. The two strata are defined as firms that allocate a substantial proportion of their revenues to research and development activities and those that expend very little of their resources on such activities. Spending on research and development signifies that corporate resources have been allocated to activities which are expected to provide future benefits, although the realization, timing, and duration of the expected benefits is characterized by considerable uncertainty. The term research and development connotes the marshalling of various firm resources and the extension of its understanding to advance the firm’s abilities and understanding in some fashion. The stratification of our sample is thus designed to identify firms which should place different levels of emphasis on the management of knowledge. Those that focus heavily on research and development must necessarily focus on knowledge management; those that focus only slightly on research and development are likely to be less concerned with knowledge management.
Therefore, from here on, we shall identify high R & D expenditure firms as High KM Firms and low R & D expenditure firms as Low KM Firms.

We performed a computerized search of the Morningstar financial data base to identify high and low KM firms. Criterion for inclusion in the High KM firms’ stratum was that they had expended thirty percent or more of their annual revenues on research and development over the most recent three-year history. We judged the thirty percent level as identifying firms that devote a considerable portion of firm resources to the development of knowledge assets. Companies that were included in the Low KM sample were those that expended five percent or less of their total revenues over the most recent three years history on research and development activities.

Selection of the threshold levels (five and thirty percent) was based on examination of the criterion measure for a large number of firms and the determination that the selected levels appeared to distinguish the more extreme points of the research and development spending continuum. The Morningstar screens produced a large number of firms satisfying the low KM screen and a much smaller number of firms satisfying the high KM screen. The high-low KM groups were further analyzed by randomly selecting from each group for purposes of our analysis. Given that the high KM group is somewhat smaller than the low KM group, our stratified sample oversamples the high KM group. A listing of firms randomly selected from the high-low KM groups is shown in appendix A. A close reading of that appendix reveals some surprising firms in each of the samples. For instance, it is surprising to find Dell in the Low KM sample.

Our screening procedure examined the latest three years of financial data. If this time period places a firm at a down cycle in its business activities, it is possible that business conditions have dictated a scaling back of research and development activities from that which would be more typical. It is quite common for firms experiencing moderating growth trends to reduce spending on research and development in an effort to bolster earnings. This possibility is ameliorated in our sample in that the time period was generally one of good business conditions with most firms reporting improving and even record earnings (See for instance, “Bullish toast,” 2004; “Profits are stronger,” 2004; “Stronger sales,” 2004).

Under American Generally Accepted Accounting Principles (GAAP), expenditures on research and development must be charged as an expense to revenues in the period the activity takes place. Although R&D spending is an investment which is expected to provide benefits over future years, for accounting purposes, it is not treated in this fashion. A theoretically proper accounting treatment of the benefits and cost associated with R&D activities would entail a portion of the R&D costs incurred today be matched as an expense against the future revenues generated by the R&D activity. For practical reasons, accounting guidelines specify that proper identification of the future revenue benefits derived from today’s R&D spending is so problematic as to preclude this conceptually desirable matching of revenues and costs. Instead, accounting guidelines require that the costs associated with developing the long
term knowledge asset (research and development) be fully expensed against current revenues. This accounting artifact means that firms in which KM is integral to their success are in way penalized in their current reported income by having to expense activities which clearly have long-term benefits. This accounting artifact is the primary reason firms curtail R&D spending in a given year in an effort to avoid further pressures on their accounting earnings if they are experiencing a cycle of weakening business activity (Penman, 2007).

In order to see how extensively the KM vocabulary has penetrated the general business lexicon, we examine the wording of what is widely viewed to be the most definitive self-description of business firms—their 10K reports filed yearly with the United States’ Securities and Exchange Commission. These 10K reports resulted in a total sample of over 655,000 words on 1588 pages of text.

**Sample of KM Words**

We identified a set of knowledge management words by using KM textbooks and KM encyclopedias. We do not claim that our list is exhaustive; it is simply a convenience sample drawn from well known sources. We endeavored to identify as many words as possible that are commonly used in KM applications. Textbooks from Knowledge Management courses were used to identify words that KM authors emphasized in the vocabulary sections of their texts. The references used were Awad & Ghaziri (2004) *Knowledge Management*, Gottschalk (2005) *Strategic Knowledge Management Technology*, Hislop (2005) *Knowledge Management in Organizations: a critical introduction*, and Schwarz (2006) *Encyclopedia of Knowledge Management*. While this list certainly is not exhaustive of possibilities, it does provide a representative sample of KM terms.

After identifying a long list of words from our sources, we eliminated all the duplicates on our list. The resulting 171 words are found in Table 1. In addition to not being exhaustive, the identified words/phrases in Table 1 are not exclusive to KM. A cursory examination of the words indicates that many of these terms are in general usage. However, they are words that a number of authors have indicated as necessary to understand the concepts of knowledge management.

**Results**

Fifty-seven percent of the KM terms listed in Table 1 were not cited even one time in the 655,000 words in our sample. Considering that such a large percentage of the KM words in Table 1 are unused in almost 1600 pages of business text describing 40 publicly traded companies, we are led to conclude that there is little evidence to suggest that the general KM vocabulary in Table 1 has been incorporated into general business parlance. It is interesting to note that some of the words that had zero frequency are not at all esoteric: data mining, expert system, groupware, and knowledge creation are just some of the terms whose absence is troubling to those interested in promoting the value of KM.
The argument that 10K reports are financial reports and therefore could not be expected to use the KM words in Table 1 misses an important point. The 10K reports are the primary forum used by firms to convey information of their activities to external constituents. As such, and also owing to information disclosures required by the SEC, the 10K report is widely viewed as the most credible and forthcoming information which firms provide about themselves.

Even more interesting is the set of terms that are mentioned. Table 2 shows that of the 73 terms in Table 1 that are mentioned, only 44 or 26% are mentioned 10 or more times. Only 19 terms are mentioned 100 or more times and only three terms are mentioned 1000 or more times. Looking at those terms mentioned 100 or more times, we find that most of them, while having knowledge management and information technology uses, are words that have a variety of more general meanings. Words such as case, data, intellect, intellectual property, research, resources, rights, study, user, and validation are not specific to knowledge management or information technology but have a variety of business uses. The words that occur more than 1000 times, asset, patent, and technology are clearly words that extend across many common business topics.

The main inference we draw from our findings shown in Tables 1 and 2 is that terms more specific to knowledge management occur infrequently if at all. From knowledge base to knowledge source only one mention was found. Tacit knowledge, a critical concept knowledge management, has a zero frequency. It is particularly disappointing that words such as data mining, data warehouse, and knowledge map have frequencies of zero. These are concepts that constitute much of the value added of KM. Even “information technology” has a mere 24 mentions.

What our results generally show is that most of the listings in Table 1 occur very infrequently, if at all, in the most comprehensive and most studied self-description provided by business firms. If knowledge management is a source of value and a competitive advantage, then we should expect to see more mentions of these terms as a reflection of its perceived value. In recent years, even accountants have sought ways to account for “intangible assets” such as knowledge. However, the language necessary to describe “intangible assets” is not common.

Finance, accounting, marketing, and operations management terms abound in our sample 10Ks. Terms such as market segmentation (27 mentions), target market (21 mentions), liabilities (558 mentions), liquidity (123 mentions), testing (223 mentions), training (179 mentions), and manufacturing (1542) have fairly high frequencies. These functional areas of business are older and have had a longer period of time to infuse their central concepts into common business language.
We hold that the infusion of knowledge management vocabulary into general business parlance is an evolving process which currently can be characterized as a slow evolution. However, we also believe that it is important that American businesses and the people who think and write about them should begin to use the terms that will enable them to describe the merits of knowledge management processes that create value. In order for the value of knowledge management to be more widely appreciated, knowledge management terms will have to gain wider use.

Table 3 shows the contrast in frequency between high KM firms. As can be seen in the table, the multivariate test of the difference between the two groups is significant at the 1% level. Of the 32 words listed in the table, 14 of them show differences in favor of the High KM firms significant at the 5% level or better. Two of the differences that are significant at the 5% level show significantly higher relative frequencies for Low KM firms. Those words are ‘Assets’ and ‘Web.’ Given the relative greater emphasis on tangibles in the Low KM firms, the result for the word ‘asset(s)’ is not surprising. The word ‘Web’ may seem somewhat more surprising, but the web has become a venue for so many different activities. High KM firms may use it less to protect the confidentiality of the knowledge they are depending on. In the rest of the table, there are only four more non-significant negative t’s.

The table thus has 26 t’s that are positive. That is, for those 26 words, the High KM sample shows a higher relative frequency than the Low KM sample. The words that have significantly higher frequencies in high knowledge management organizations are words that we would expect: case, file, know-how, model, patent, protocol, range, research, resources, rights, science, study, technology, and uncertainty. So while it is true that few words from the KM vocabulary have substantial frequencies in the 10K’s of our sample, it is also true that the words that do have some level of usage differentiate between High KM and Low KM organizations.

Discussion

Wider Assimilation of KM Words

The phrase tipping point is a sociological phrase that describes a dramatic moment when something unusual or unique becomes commonplace. Malcolm Gladwell’s 2000 bestselling book, The Tipping Point: How Little Things Can Make a Big Difference, popularized the idea and applied it to daily life. While the phrase is often misused, it seems perfectly applicable here. What we have seen is that much of the important vocabulary of KM has not reached the tipping point - it has not become commonplace in business language.

We have also seen that in a small random sample of High KM and Low KM firms, some of the KM vocabulary discriminates significantly between the two groups. While the results are not uniform, they do seem to indicate that 14 of the 32 KM vocabulary words that occurred more often than 30 times in the 655,000
words of this sample do discriminate between High and Low KM firms. We see this as evidence for the validity of the idea that KM is driven by vocabulary --- firms that make a living on knowledge are more likely to use certain words to describe themselves and their activities. We recognize that the words that do discriminate between the two groups are words that are fairly general and not specific to KM. We would expect that as KM becomes more widely practiced that some of the more esoteric KM words would discriminate between these two groups.

It is true that there are many specialized business and trade journals that are focused on knowledge management. Any internet search of journals could turn up dozens that either have knowledge management in their titles or feature articles about knowledge management. The Harvard Business Review has had 53 articles since 1995 that focused in whole or in part on knowledge management. A search of business school offerings shows that all of the top 50 U. S. business schools (most recent Business Week rankings) have coursework that deals wholly or in part with knowledge management. All that should indicate that knowledge management should be well on its way to being a recognizable functional area in business. These data seem to indicate otherwise. We are not sure when the tipping point will come, but it needs to come soon.

Managing knowledge assets necessitates a certain vocabulary. We suspect that 10Ks of High KM firms written ten or fifteen years from now will include a lot more KM terms and more esoteric KM terms at that. We also speculate that the gap in KM vocabulary will grow wider between High KM firms and Low KM firms. As more businesspeople are trained in KM concepts, the KM terms that are now somewhat esoteric will become more commonplace. If knowledge is the intangible asset that allows a firm to gain a sustainable competitive advantage, then knowledge management and the vocabulary to implement it must become more commonplace in business language.
### Table 1
Knowledge Management Words Tried Out  
(40 organizations, 665,000 words on 1588 pages)

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Table 2
Frequency of Word Occurrence

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<td>73</td>
<td>43%</td>
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<tr>
<td>44</td>
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Table 3
Means, Standard Deviations, and t’s for each Word that Made the Cut
Hotellings $\lambda = 0.055$, $p < .01$ (20 high, 20 low)

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<tr>
<th>Word(s)</th>
<th>Low Mean</th>
<th>Low SD</th>
<th>High Mean</th>
<th>High SD</th>
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<td>0.16</td>
<td>0.23</td>
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References


Profits are stronger than investors’ nerves. (2004, September 27). Business Week.


**Appendix A**

<table>
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<th>Firms above the 30% criterion</th>
<th>Firms Below the 5% criterion</th>
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<td>Biogen</td>
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<td>Bitstream</td>
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<td>Cabot</td>
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<td>Capstone</td>
<td>Ceradyne</td>
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<tr>
<td>Celea Genomics</td>
<td>Charles Colvard</td>
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<tr>
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<td>Dell</td>
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<td>Cubist Pharmaceuticals</td>
<td>EOG Resources</td>
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<td>Diversa</td>
<td>Firearms Training Systems</td>
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<td>Epiphany</td>
<td>Harris</td>
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<td>Exactscience</td>
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<td>International Game Technology</td>
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<td>Jabil Circuit</td>
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<tr>
<td>Medarex</td>
<td>K2</td>
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<td>Phoenix Technologies</td>
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<td>Protein Design Labs</td>
<td>Penford</td>
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<td>Redback Networks</td>
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<td>Sepacor</td>
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With public scrutiny of corporate ethical lapses, there has been a renewed call for more ethical course content, to say nothing of courses dealing strictly with ethical issues in business, particularly at the undergraduate level. However, beyond the golden rule, what will be the basis for these efforts? The suggestion here is that the concept of distributive justice should form the basis for these courses, as well as for any discussion of corporate wrongdoing.
Distributive Justice as a Basis for Ethics Courses

The concept of justice has interested social psychologists as well as ethicists for some time. The concept is an elusive one. When asked, most people would agree that the establishment of justice is a desirable societal end. Perhaps due to the seemingly ongoing episodes of corporate governance and malfeasance issues, there has been a renewed effort on the part of many business schools to emphasize ethics as a learning outcome of course in all business disciplines. Whereas the concept used to be the province of marketing courses, the accounting departments have now stepped up their emphasis on ethical issues.
But beyond that, what are these courses saying should be the moral touchstone of these efforts? The suggestion here, is that the concept of distributive justice should form the basis of these efforts. However, there might be some disagreement over the exact definition of that term. More than that, because of its broad implications, the meaning of justice itself is often hazy.

According to the dictionary, in its basic form, justice is defined as "the maintenance or administration of what is just especially by the impartial adjustment of pending claims and the assignment of merited rewards or punishments" (G. & C. Merriam, p. 628). Social psychologists have focused on the latter portion of this definition.

Homans (1982, p. xii) proposed three main rules of administrative justice. These rules are often in competition with each other, “and which one people will apply or what compromise they will reach between them depends on the persons and the goods and on other circumstances.”

Homans’ first rule was the rule of distribution according to need. The rule states that of two or more persons who need a good in short supply, the one who needs it most should receive it.

Homans’ second rule was the rule of proportionality: “the proposition that one person’s or group’s contribution bear to another’s should equal the proportion the former’s reward bears to the latter’s” (p. xii). Homans argued that this second rule was the most relevant,
specifically proportionality between characteristics and outcomes. He examined two different types of contributions; first, those the person contributes immediately and second, those that have been acquired from past history or even from being the kind of person he or she is in terms of such characteristics as seniority, sex, race, and ethnic group.

The final administrative justice rule proposed by Homans was the rule of *equality*; that “all persons, or at least all persons of a certain class, should be rewarded equally (p. xiv).”

Homans believed that observers must agree on three things to agree on a perception of justice: the rule of justice, the legitimacy of the kinds of recipient characteristics and receipts to be taken into account in applying the rule, and the assessments of those characteristics and receipts. Cohen (1982, p. 119-120) argued that individuals must also agree on the cause and responsibility to be assigned for the characteristics of recipient units.

Ross (1980, p. 31) found a parallel between Homan’s views and those which Max Weber identified in 1904 as a precondition for the rise of capitalism. Ross noted that these views were consistent with those philosophical positions that have emphasized the concepts of personal responsibility and free will.
Leventhal, Karuza, and Fry (1980, pp. 170-171) set forth a theory of allocation preferences inherent in social systems. They identified seven procedural components that shaped the distribution of rewards and resources in a well-structured social system.

These include:

1) The selection of agents who make decisions, collect information, or safeguard the allocation process.
2) Establishing ground rules for the distribution.
3) Gathering information to be used in the allocation decision.
4) Decision-making, the actual decision process by which rewards and resources are distributed.
5) Safeguards to ensure that agents who administer the allocation process are performing their duties properly.
6) Some form of grievance or appeal procedures.
7) A mechanism for changing allocation procedure.

Leventhal, Karuza, and Fry (1980, p. 194) identified two aspects of fairness judgments: cognitive and motivational. They defined cognitive as referring to the fact that judgments of fairness involve contrasting an existing situation to an abstract standard or rule. The motivational aspect refers to the fact that “judgments of fairness do not occur unless the individual is motivated to make them.”

Leventhal, Karuza, and Fry (1980, p. 196) also defined procedural rules concerning the distribution of rewards or resources as “the individual’s belief that fairness exists when allocated procedures satisfy certain criteria. These criteria may involve the consistency rule which is a standard procedure that requires allocated procedures to be the same for different persons and consistent over time.”
Leventhal, Karuza, and Fry found that people were most likely to pursue a goal of fairness in distribution when the role demands emphasized fairness, when other goals were of minimal importance, when current distributions were blatantly unfair, and when the social system was pluralistic rather than monolithic.

Rescher (1966, p. 8) identified the principle of utility as the basis for distributive justice. “We shall base our inquiry into the principle of distributive justice upon an investigation of the doctrine of utilitarianism. This doctrine is founded upon the principle of utility, which asserts that utility (or, if you wish, simply the good things of this life) should be distributed according to the rule of the greatest good of the greatest number.”

Both Barry (1989) and Rawls emphasized the importance of impartiality in distributive justice. Sociologists examining other aspects of justice have examined Rawls’ classic work, A Theory of Justice. Rawls believed that for a distributive justice system to be fairer, the choice of a specific rule must be made behind a “veil of ignorance,” so that no one would know how each rule of distribution would apply to them. This would prevent bias to favor a particular rule. Rawls (1971, p. 83) argues that only an allocation of resources, which maximizes the index of primary goods going to the worst-off group, would be fair. Reis (1986) believes that Rawls’ theory in this area (determining value and assessing and entitling inputs) is of significant importance in the theory and practice of justice. The aforementioned “veil of ignorance” is of paramount importance in the practice of justice, preventing imbalances in distribution caused by privilege, position, or power.
Rawls also has his critics. Roemer (1966, pp. 172-173) is critical of Rawls’ criteria for fairness. Roemer is uncomfortable with Rawls’ basing his theory upon the distribution of primary goods instead of focusing on emotions such as happiness. Roemer feels that if Rawls is going to use a concept of morality, it must be grounded in emotional terms rather than tangible goods.

Brian Barry believes that Rawls views everything as morally arbitrary. Barry (1966, pp. 146, 148) views social justice as based on the basic structure of a society. He defines the structure as “made up of the institutions that together determine the access (or chances of access) of the members of a society to resources that are the means to the satisfaction of a wide variety of issues. These resources can be grouped under three headings: power, status, and money.” Furthermore, according to Barry, Rawls and Hume both agree that justice represents the terms of rational cooperation for mutual advantage under the circumstances of justice.

Reis (1986, p. 199-201) defines the justice motive as the “desire that justice be done.” He compiled a list of 17 principles derived from folklore, law, history, philosophy, and social psychology. Each principle identifies a specific recipe for the distribution of outcomes in distributive justice. Two are of particular interest here. Rule No. 10: “People are responsible for living up to the moral principles of any groups to which they voluntarily belong,” and rule No. 11: “One should do good things for other people for its own sake, irrespective of what they might receive in return.”
Morton Deutsch (p. 142) conceptualizes his view of distributive justice to include its psychological, physiological, economic, and social aspects. To Deutsch, the concept of justice is concerned with “the distribution of the conditions and goods which affect the well-being of the individual members of a group or community. The essential values of justice are those values that foster effective social cooperation to promote individual well being.”

There is room for debate on one’s personal view of this concept. But whatever one’s view, distributive justice is commonly viewed as the basis for justice in American society. This should be the basis for any classroom discussions concerning ethics. It is the job of each faculty member, to insure that his or her students have a strong philosophical grounding in this area. Students who have been exposed to this, hopefully will continue to use this as a basis for decision making long after they have exited the classroom.

References


Master of Accounting Programs: Is there adequate Internationalization of these programs?

By: Jane B. Finley and Susan L. Taylor
Proposal: To present our initial findings

The Study:
The purpose of the study is to examine the impact and effectiveness of international study in a Master of Accounting programs. This study will focus strictly on Master of Accounting type programs which have achieved AACSB-International specialized accounting accreditation. We will use an academic stream of research that describes the changes that are needed in Master of Accountancy programs. Both the AAA and AICPA have produced several important studies which addressed short-falls in accounting curricula. We plan to combine this research with the research conducted for increased calls for more emphasis in international accounting. Previous research on the need for international knowledge in accounting programs focused on the rules of international accounting standards and international tax laws. Many accounting graduates are joining international accounting firms or large multinational companies with global operations, but have not received education about international cultural differences that may be encountered with such employers. In additional AACSB-International has called for increase global awareness in business curricula. We believe that Belmont is a leader in this area of accounting education.

We have collected data from both MBA and MACC students who participated in an international travel class. The survey was sent to 111 Master of Accountancy (MACC) students with 69 responding, for a 62% response rate. The questionnaire was based on previously identified learning objectives from the literature and was modified for the student population to be surveyed.

We reviewed 149 accounting accredited programs (source AACSB web site 11-1-06). The survey was conducted via telephone so that specific questions and follow-ups could be addressed. The list obtained from the AACSB website was the source for the schools included in the survey. Two graduate business student assistants, one MBA and one MACC, contacted, by phone or email, each of the 149 universities to determine:

- Was a Masters degree in accounting offered? If so, what specific degree.
- Was an international trip included in the masters program?
  - Was the trip optional or a required part of the curriculum?
  - Length of the trip
  - Any other information offered about the trip such as destinations and foci.

Information was obtained from 142 schools; only 7 schools could not or did not provide the information after several attempts to reach appropriate person. (Response rate: 95.3%). A review of the seven non-responsive schools’ web sites revealed:

- 5 of the 7 had graduate accounting degree programs
A review of the 5 website was conducted to determine if an international trip was included, either as optional or required, in the graduate accounting curriculum. All 5 web sites made no mention of either an optional or required international trip as part of the curriculum.

- 2 of the 7 did not offer masters degree in accounting

Additional information obtained from the survey included:

- Twenty-seven (27) of the 149 do not offer masters degrees in accounting for 82% of accredited schools offering Masters programs.
- Degrees included: MACC; MBT; MST; MPA; MAIS; MS; MSA; and MSFA, with 11 of these programs also offering a masters in tax program.
- Of the 122 masters programs 92 (75.4%) have no international trip, either optional or required.
- Of the 122 masters programs 29 (23.8%) have an option international trip
  - Durations ranged from 1 semester to 7 days, with most trips being of the 14-10 day range.
  - Location were varied
  - One program offered London only while another offered Paris only
- Of the 122 masters programs, one (.8%) has a required international trip as part of the degree curriculum.
  - Duration ranged from 9-11 days
  - Destinations included: China, India, Singapore, Chez Republic, Chile, Argentina, London, France, Ireland

The significance of this study is to present a new idea in accounting curricula and to also validate previous research from the student perspective. The study also will provide valuable information about our MACC program and students within both the local and national markets.
Incorporating Learning through Doing in Entrepreneurship Education–The Case of an University-Industry Alliance in Asia

Authors:

Wee-Liang Tan [Contact Person]
Singapore Management University

Postal Address:
Lee Kong Chian School of Business
50 Stamford Road
Level 5
Singapore 178899

Email: wltan@smu.edu.sg
Phone: [65] 68280157
Fax: [65] 68280777 or [65] 68280457

and

David B. Montgomery
Kresge Professor of Marketing – Emeritus
Graduate School of Business
Stanford University
Stanford CA 94305

&
Dean – Emeritus
&
Consulting/Visiting Professor of Marketing and Management
Lee Kong Chian School of Business
Singapore Management University, Singapore

Abstract
With the development of Asia, there is little doubt that entrepreneurship education would make its way across from the West to Asia. However, the form and manner it takes may differ because of the context and the definition of entrepreneurship adopted. With the differences within Asia and the development of entrepreneurship policies adopted by the
various Asian policymakers, entrepreneurship education naturally has many variations across Asia. This paper outlines one such development in a new university in Singapore, involving the university with an industry alliance.
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Lee Kong Chian School of Business
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Abstract
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The SMU Mission:
To create and disseminate knowledge. SMU aspires to generate leading edge research with global impact as well as to produce broad-based, creative and entrepreneurial leaders for the knowledge-based economy. SMU is committed to an interactive, participative and technologically-enabled learning experience. Towards this end, it will provide a rewarding and challenging environment for faculty, staff and students to kindle and sustain a passion for excellence.

Introduction
Entrepreneurship education has spread around the world at an ever increasing pace since the late 1960s. By 1985, there were 253 schools with entrepreneurship courses, and this number further increased to 369 in 1991 (Vesper, 1992). In recent years, the US and Europe are not the only places where entrepreneurship is recognized as playing a major role in economic development. Former communist countries and others are also focusing a great amount of effort on fostering entrepreneurship education (Brockhaus, 1991). Many universities in the Asia-Pacific have turned their attention to entrepreneurship introducing courses in the field. Singapore is one such country to join these ranks with its newest offering, a private university, taking as its theme management education with the mission to produce entrepreneurial leaders: Singapore Management University (McGrath & McMillan, 2000; Tan 2002).

The objective behind most of the entrepreneurship courses is the inculcation of entrepreneurial skills. Whyte (1966), Cunningham (1966) and Hood and Young (1993) identified decision-making, leadership, communication, management, technical, interpersonal and conceptual skills as key skills for successful entrepreneurship. McMullan and Long (1987) also examined methodologies for the purpose of improving student’s abilities to deal with ambiguity and complexity. It is generally accepted that entrepreneurial skills can be taught and learned through practice and repetition although the development of these skills is a function of a time, but is faster in certain environments (Wong, 1993). Others identify the entrepreneurial mindset as a key component of entrepreneurship education (Tan, 2002; McGrath & McMillan, 2000). They point to the inculcation of the mindset (attitudes and mental modes) as an integral element of entrepreneurship education.

This objective of entrepreneurship education would thus change in different environments or if the definition of entrepreneurship changes. In this paper, we explore a recent development in entrepreneurship education in Asia where these two reasons play a part. First, the environment for entrepreneurship education in Asia differs from that where most entrepreneurship programs have taken place – in the West. Second, entrepreneurship is applied in a wider context than merely starting a business or opportunity recognition. There was a time when entrepreneurship education was focused
on entrepreneurial startups. Of late however, there has been a realization that what enterprises, large and small, require were individuals with an entrepreneurial mindset. Innovations in products, services or processes call on the initiative of the incumbents in corporations. Whether front line or middle managers. They require the impetus of entrepreneurial leadership from top management (Schulz & Hofer, 1999). Further, the scope of entrepreneurship has been extended to other contexts apart from startups. Entrepreneurship has been applied to corporate contexts with the development of the concepts of corporate entrepreneurship also called “Intrapreneurship” (Pinchot & Pinchot, 1993) and corporate venturing, and in social contexts through social entrepreneurship and social innovations. In the light of these extensions, entrepreneurship educations should not be confined to equipping students or participants with entrepreneurship skills. There is a need to incorporate the other contexts within which entrepreneurship is called for – the managerial and corporate context. Second, there are different policy considerations in each country that impinge on university education and, hence, entrepreneurship education. Much of university education in Asia is publicly funded by the governments. Hence, there is influence from the governments. With entrepreneurship being lauded as a means for economic development, the form of entrepreneurship education could be constrained by the policy makers’ desired view of entrepreneurship and the form it takes in the economies. This paper outlines efforts at the Singapore Management University to accomplish this through the training and involvement of its students in projects involving entrepreneurial firms as part of its overall entrepreneurship development agenda. It has created a unique alliance involving a bank and some 208 local enterprises to create action learning opportunities for university undergraduates to work with entrepreneurial firms in projects. This alliance is the first of its kind in Asia that we are aware of. It is not the simple funding of a centre by a rich philanthropist or bank. It is an alliance that involves 208 local enterprises who responded to a call to make a difference by pooling resources to launch university-based initiatives that assist local businesses. It is different in that the alliance partners are taking an active role in the governance of the alliance. They are on the board of governors and also in the executive committee. They are actively seeking to ensure the initiative makes a distinct difference and contributes. This paper proceeds to review some of the developments in entrepreneurship education that have a bearing on explaining the context of this alliance. It then provides the context of entrepreneurship education at the universities in Singapore before discussing the entrepreneurship alliance between the university and industry that opens new vistas for entrepreneurship education in Singapore and from which some lessons may be drawn even though this alliance is still at its inception.

**Developments in Entrepreneurship Education**

Consistent with all educational offerings, entrepreneurship education design would be influenced by its disciplinary leanings and the objectives behind the designers. In order for a field to develop and offer content, skills or attitudes as knowledge, what it offers has to come within its defined confines or stream. Without going into the elements of requisite research, body of knowledge or transferable content/skills/attitudes, for there to be entrepreneurship education, there must be a clear idea of what entrepreneurship is. In short its definition determines its educational content.
Entrepreneurship as a new discipline carving its niche has encountered considerable obstacles, chief of which has been defining its space. Suffice to say without re-visiting the debate in detail, there has been prior to the recent gravitation towards opportunity recognition as the domain of interest following the Shane and Venkatraman piece in the Academy of Management Review in 2000, a parade of definitions documented by Kao (1995) to which Kao added his own (See Table 1 below). Since then, entrepreneurship programmes either continue their previous sway to include the examination of entrepreneurial character traits, theory, skills and business planning, or paid some modicum of attention to the element of opportunity recognition. Opportunity recognition as the domain of entrepreneurship as a field was defined as the source of opportunities, the processes of discovery, and exploitation of opportunities (Shane & Venkatraman, 2003). Unfortunately, much of this definition in itself draws and legitimizes what has gone on before. The element that is new is the emphasis placed on the recognition of opportunity, what has previously been dealt with as business startup processes and skills is now subsumed under the how and what. What the entrepreneurship programmes covered under motivation and character traits would be subsumed under the rubric of “why.”

Summary definitions of an entrepreneur (Kao, 1993,1995)

<table>
<thead>
<tr>
<th>Contributors</th>
<th>Period</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richard Cantillon</td>
<td>1730</td>
<td>A self-employed person with uncertain returns.</td>
</tr>
<tr>
<td>Abbe Nicollas</td>
<td>1767</td>
<td>A leader of men, a manager of resources, an innovator of ideas including new scientific ideas, and a risk-taker.</td>
</tr>
<tr>
<td>Jean-Baptiste Say</td>
<td>1803,1810</td>
<td>A coordinator of production with managerial talent.</td>
</tr>
<tr>
<td>Joseph Schumpeter</td>
<td>1910</td>
<td>A creative innovator.</td>
</tr>
<tr>
<td>Frank Knight</td>
<td>1921</td>
<td>A manager responsible for direction and control, who bears uncertainty.</td>
</tr>
<tr>
<td>Edith Penrose</td>
<td>1959</td>
<td>A person with managerial capabilities separate from entrepreneurial capabilities, and able to identify opportunities and develop small enterprises.</td>
</tr>
<tr>
<td>D.C. McClelland</td>
<td>1961</td>
<td>A person with a high need for achievement.</td>
</tr>
<tr>
<td>Robert L. Budner</td>
<td>1962</td>
<td>A person with a high tolerance for ambiguity.</td>
</tr>
<tr>
<td>Orvis F. Collins</td>
<td>1964</td>
<td>A person with a high need for autonomy.</td>
</tr>
<tr>
<td>W. D. Litzinger</td>
<td>1965</td>
<td>Low need for support and conformity, leadership, decisiveness, determination, perseverance and integrity.</td>
</tr>
<tr>
<td>J. B. Rotter</td>
<td>1976</td>
<td>Internal locus of control.</td>
</tr>
<tr>
<td>Israel Kirzner</td>
<td>1979</td>
<td>An arbitrageur.</td>
</tr>
<tr>
<td>J. A. Timmons</td>
<td>1985</td>
<td>“A” type behaviour pattern.</td>
</tr>
<tr>
<td>Raymond W. Y. Kao</td>
<td>1993</td>
<td>Entrepreneurship is the process of doing something new (creation), and/or something different (innovation) for the purpose of creating wealth for the individual and adding value to society.</td>
</tr>
</tbody>
</table>
It is therefore not surprising in the light of these definitional issues that policy makers define entrepreneurship education in the manner that suits their policy demands. As such, entrepreneurship in Asia would, from the policy makers’ perspectives, range from self-employment to high-technology entrepreneurship. The first would be a definition adopted in countries with high unemployment and the latter scope for entrepreneurship education would apply in more advanced countries where the key to competitiveness is higher order innovation and invention.

Over and above the definitions issues poses by the academics and policy makers which would impinge on entrepreneurship education other definitions of entrepreneurship have come to the fore – extending the context within which entrepreneurship has application. New definitions are the realities of a new field. In the public sector in entrepreneurial public administration (See for example Osborne and Gaebler, 1992), in the non-profit sector as “social entrepreneurship” (see for example, Tan, Tan and Williams, 2005; Brinckerhoff, 2000), within corporations under the banner of “corporate entrepreneurship” (Schollhammer, 1981; Morris, 2003) and in political leadership and economic development, Asian statesman Lee Kuan Yew referred to “political entrepreneurship” stating that good government required political entrepreneurs like some of his lieutenants who had vision and ideas (Straits Times, 1994).

In the light of these developments, which could be considered product extensions drawing upon marketing parlance, it is no surprise that entrepreneurship education has expanded in the curriculum offerings. There are courses reflecting either creativity or innovations. Business schools have introduced courses that apply the principles in different industrial/service sectors such as artistic industry, creative industry, hospitality industry, and even medical and legal practices.

Entrepreneurship Education in Asia

Tina Seelig, the Executive Director of the Stanford Technology Ventures Program at the NCIIA Annual Meeting in San Diego, California on March 18, 2005 noted that in the quickly changing economic environment across Asia, some governments encourage entrepreneurship education as in Singapore; in others (e.g. China and Korea) it is limited. Where there has been significant growth in entrepreneurship education over past few years has occurred in the area of teaching venture management to MBA students.

In Singapore, the earliest efforts at entrepreneurship development were at the Nanyang Technological University (NTU) where in 1987 an entrepreneurship development centre, ENDEC, was opened. Prior to this, there was an elective at the National University of Singapore (NUS) dealing not with entrepreneurship but small business management. This establishment of this centre led to the development of an entrepreneurship elective for the undergraduates and the MBA programs by 1991. Its early days were spent assisting local enterprises. In 1990, it launched the ENDEC World Entrepreneurship Research Conference it held in the years 1990 to 1997, and 1999. Seeking to foster research that is needed for the education, it launched together, with World Scientific Publishing, the
Journal of Enterprising Culture. The Journal is now independent published by World Scientific but hosted at Singapore Management University by editorship.

NTU went as far as to launch an entrepreneurship minor (a concentration) for its Bachelor of Business Program in 1996 comprising three electives: Entrepreneurship, New Business Creation and The Entrepreneurial Approach in Corporate Management. In 2000, ENDEC was dissolved and NTU focused on technology-based entrepreneurship under its new Technopreneurship Centre. The entrepreneurship minor was also discontinued. NTU also has a venture seed capital fund.

At the same time in NUS, entrepreneurship courses have been started at NUS since the formation of the NUS Entrepreneurship Centre in 1999 with student enrolment rising from less than 200 in 1999 to over 1100 in 2004. These courses have also been complemented with a number of new initiatives like StartUp@Singapore (a national business plan competition), business incubators for professors and students embarking on start-ups, regular forums that bring entrepreneurs onto campus, and a venture support fund to seed university spin-offs.

The Singapore Management University is a newcomer to the university scene as it is the youngest university in Singapore established in 2000 compared to NUS which celebrated its centenary in 2005 and NTU is fiftieth anniversary in 2005. It is Singapore’s first private university built around management education. Entrepreneurship education is at the core of SMU’s curriculum as it states as its mission.

SMU seeks to provide the relevant environment for entrepreneurship to flourish. SMU seeks to promote and provide an entrepreneurship infrastructure on campus through the Business Incubation and Development Programme, student clubs such as SMU Ventures and SMU Students in Free Enterprise (SIFE) and faculty advisors (members of the SMU Enterprise Development Growth and Expansion Programme). Students may avail themselves of the opportunities, support systems and initiatives that exist should they wish to engage in entrepreneurial activities.

Opportunities are also created for knowledge acquisition on the part of the students through the courses, seminars and workshops being offered. To this end, SMU promotes entrepreneurship research, curricula (e.g. the new Management (Entrepreneurship) concentration) and entrepreneurship-related activities. There are also opportunities for students to experiment with new ventures and ideas. Students are provided with opportunities to apply for incubator space under the SMU Incubation and Business Development Programme. They are also encouraged to participate in projects with entrepreneurs and organizations in SMU courses. Students can also form teams to participate in competitions in Singapore and abroad. Some details of SMU Entrepreneurship Development Agenda are provided in Appendix 1 to this paper.
The UOB-SMU Entrepreneurship Alliance

The value of collaborations between industry-university depends on the nature of the collaboration. There are skeptics who fear that collaborating with the intimate employees of one’s graduates and/or relying on their funding leads the university to depart from its calling to be true to academic pursuits. Be that as it may, we are fortunate in that the SMU collaboration that we describe draws upon the positive aspects of university-industry collaborations.

The collaboration was a result of discussion that SMU had with a leading local bank, the United Overseas Bank on its involvement as a stakeholder in university education in Singapore. The discussion led to the exploration of a way to involve a greater number of local enterprises in an entrepreneurial venture that will see returns to the local business community. The felt need at that point in time was assistance to be rendered to local small and medium-sized enterprises (SMEs). The dream was to craft a collaboration that allowed for funds to provide assistance to SMEs through the university – involving students and faculty. The bank’s leadership was visionary and launched a fund wherein it committed to give a S$1 for every S$2 contributed by local enterprises to the alliance up to a maximum of S$3million which would provide funds for the creation of a centre for an initial five year term.

The thrust of the Alliance is to put student and faculty teams to work on consulting projects mandated by local enterprises especially SMEs. The projects will be relevant to the enterprises, and provide them with research on the markets they operate in, as well as ideas and proposals on competitive strategies. The result of the collaboration is the establishment of the centre that was officially opened on 20 September 2005.

The Alliance Centre

The centre shall have three main thrusts to enable it to attain its purpose:-

- Education – to facilitate the development of courses, workshops and seminars that benefit SMU students and local enterprises,
- Consulting & Training – to develop, train and facilitate student consulting teams led by advisors drawn from SMU faculty and volunteer business mentors to address the development and growth needs of SMEs
- Research – to engage in applied research that enables the centre to better carry out its education and consulting activities.

The centre will seek to achieve a symbolic relationship between the activities under its thrusts. There is scope for the centre to engage in pertinent & relevant research that will have benefit to the local entrepreneurs and enterprises in Singapore. This research will be conducted employing on-line questionnaires on the centre's web-portal. There is also funding for the development of case studies to be developed by the student teams and faculty advisors which provides opportunities for longitudinal studies of the centre's
client-enterprises. The centre will engage student teams with faculty-advisors who will be matched with the SMEs who apply for the assistance that the centre will provide.

With the creation of this centre, there will also be the development of dedicated SME executives, individuals who are not academic faculty but with practical experience able to help SMEs directly and manage the operations of the centre. Curriculum-wise, the centre coordinates a specific course that ties in with the university’s Entrepreneurship track in the Management concentration offered by the Lee Kong Chian School of Business. Table 1 details the courses in the Management Concentration. The course is designed to equipped students with the key skills needed for their project assignments with the centre and also covers aspects of enterprise management; it is called SME Consulting.

Management Concentration [2 Core course plus 3 electives]
Core courses: Entrepreneurship and Business Creation
Entrepreneurial Management
Entrepreneurship Track
Entrepreneurial Finance
Enterprise Development
International Business
Social Entrepreneurship
New Product Development
SME Consulting
Family Business
Seminar in Management Research
Methods
Business Study Mission

Strategy Track
International Business
Strategy (Restrictions apply)
Leadership and Organizations
Management of Creative Industries
Management of Innovation
Corporate Governance
Seminar in Management Research
Methods
Business Study Mission

Advantages of this Alliance
The first advantage the alliance furnishes to SMU is the addition of one more element to the microcosm on campus within which the students can evolve. One way to conceive of entrepreneurship education on campus is to look upon the offerings on campus as reproducing societal evolution mechanisms (Laukkanen, 2000). As such the alliance, by bringing the students into contact with local entrepreneurs and their management challenges through the projects, opens the students to opportunities to mingle with the real life business owners, may provide the impetus and catalyst that is needed in the university’s ecological milieu for young entrepreneurial talent to bubble up to the surface. No one can tell who the real entrepreneurs will be when they graduate from our tertiary institutions and enter the market place. It will take place in the long run unbeknownst to the university unless there is a effort to track the graduates. The projects will also be an excellent way of providing SMU students with an authentic sense of the real world of business. It will allow them to develop skills that will eventually help them in the workforce or when they start firms of their own.
From the pedagogical perspective, it permits the university to go beyond the traditional classroom to incorporate more experiential learning. In this case, SMU will be able to employ action learning. Elements of action learning (i.e., real problems, fellow leaders in the action learning team, a reflective inquiry process, commitment to action, and focusing on learning) contribute to the building of critical leadership skills (Marquardt, 2000; Smith & O’Neil, 2003). It also enables SMU to overcome a criticism of traditional management education for its “disconnect” between entrepreneurial practice and theory – that business graduates do not have the ability to deal with real life problems when entering the world of business (Gibb, 1996).

The collaboration permits the student participants develop their skills and abilities from their real life experience through trial, error, and reflection, often outside academic institutions (Leitch & Harrison, 1999). It enables the development of many entrepreneurial characteristics, such as self-confidence, persistence and high energy levels, that cannot easily be acquired in the classroom (Miller, 1987). The collaboration attempts to engage students in SMEs and to perform in the real environment. They may need to provide solutions, structure effective programs, measuring their outcome and demonstrating the results to entrepreneurs. The projects with the SMEs are real-life managerial challenges, that these students would be expected to perform once they graduate and when they develop their own enterprises.

Conclusion

Whichever side of the divide of the debate to collaborate or not collaborate with industry, it is clear that where entrepreneurship education is concerned, there exists a real need for greater interaction between educational environments and external organizations so that current business thinking and entrepreneurial experience can be introduced into schools (White, 1993). To embrace action learning is in concept easy but in reality a daunting task for academics as there is a need to develop and improve the current curricula and modes of delivery (Salaman & Butler, 1990). The university-industry collaboration in the UOB-SMU Entrepreneurship Alliance Centre augers well for the university provided care is taken to ensure that the potential of the collaboration bears fruit.

References:


Appendix 1

SMU ENTREPRENEURSHIP ENVIRONMENT

1. SMU Business Idea Generator Programme

The SMU Incubation and Business Development Programme was established to contribute to SMU’s mission to develop entrepreneurial leaders. It seeks to facilitate the incubation of business ventures on campus at its incubation centre and retail space.

The development of entrepreneurship and providing opportunities for entrepreneurship development at SMU is in line with the Singapore government’s policies that seek to:

- foster a spirit of innovation and enterprise in schools;
- encourage entrepreneurship talent development in institutes of higher learning;
- promote innovation and new products and services in Singapore.

The programme seeks to:

- provide a hub for entrepreneurship development activities on campus and has planned for the city campus;
- incubate ten to fifteen new ventures each year;
- develop entrepreneurship talent through the incubation and business development activities;
- provide the interface between the SMU students and industry through the workshops and seminars involving business leaders and entrepreneurs.

The Programme together with the Wee Kim Wee Centre of the Lee Kong Chian School of Business has a lunchtime entrepreneur speaker series. It pairs the student venture teams with CEO mentors.

The programme provide specific resources in the form of

- incubation space; and
- financing under the Entrepreneurial Talent Development Fund.

It has had modest success in the form of Savvy Foods who have graduated from the incubator and Lumiere a new venture established by SMU graduates. Savvy Foods was a venture that students began as a distributor of packed foods in microwaveable containers. They experimented in co-development with the manufacturers new packaging and new target markets. Upon their graduation they teamed up with a local distributor to extend their products in the convenience stores.

Lumiere began as a venture to retail quality artificial diamonds. The challenge for this team is to build a new market space and attract interest to this product which they
promote as different but still a luxury item. As at time of writing, the team is still at work on building awareness and clientele.

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**The Entrepreneurial Talent Development Fund**

SMU is providing venture financing to the student and faculty ventures in conjunction with the Entrepreneurial Talent Development Fund (ETDF) provided by the Ministry of Trade and Industry. The fund is managed by Standards, Productivity and Innovation Board (SPRING Singapore).

Under the Fund, each SMU venture teams may obtain $3 funding from the ETDF, $1 from SMU’s own funds if they commit $1 of their own financing. The maximum funding available from the ETDF per team is $50,000.

SMU has applied for funding that allows it to fund a total number of projects amounting to $600,000 in the first year of the scheme.

Students may work with SMU faculty but the students must be the majority shareholders.

To obtain funding, the venture must:

- have a sound business plan
- be incorporated as a private limited company
- not have already commercialized products/services
- not have already received grants or funding from other sources

---

2. SMU Enterprise Growth and Expansion Programme

The SMU EDGE programme was established under the Wee Kim Wee Centre of the Lee Kong Chian School of Business. It is a research interest group formed in July 2003 and is devoted to SMU research, resources and tips related to entrepreneurship, enterprise development and innovation.

The interest group comprises faculty from the different schools: Lee Kong Chian School of Business, School of Accountancy, School of Economics and Social Science and School of Information Systems. Its website was launched in early 2004.

The areas that are represented under SMU EDGE include:

- Entrepreneurship
- Entrepreneurial Finance
- Enterprise Development

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1 This website can be found under the SMU website under Research Areas or at http://www.research.smu.edu.sg/faculty/edge/
• Corporate Governance
• Technology & Innovation

SMU EDGE has organized numerous workshops and seminars. The members of the programme serve as faculty advisors in various student enterprise initiatives as well as with student clubs. The programme fosters entrepreneurship research and programmes. It provides guidance to SMU students through its Business Mentor network.

3. Student Enterprises

Singapore Management University Ventures (SMU Ventures) is the entrepreneurship club that seeks to promote the culture of entrepreneurism within the university and beyond. It was formed in late 2002 and formally established in 2003.

Entrepreneurship, idea generation, and spirit of change are hallmarks of SMU Ventures’ activities. It promotes new ventures and organizes opportunities for student networking with the entrepreneurs, industry experts, investors and consultants.

4. Social Entrepreneurship

Social Entrepreneurship Forum

SMU does not only promote business entrepreneurship but entrepreneurship as a wealth creation and value-adding process. As such, the area of social entrepreneurship has been advocated.

In October 2003, a Business School Forum was organized involving two international speakers: Dr. Mechai Viravaidya and Dr. Rick Aubry. Co-organized with the then Ministry of Community Development and Sports, the public form addressed the theme “Harnessing Enterprise and Entrepreneurship for Social Good.”

The two speakers had a vast experience to share. Mechai founded one of Thailand’s largest private, non-profit development organizations which employs money-generating activities to finance population and community development. One of the key community development activities has been promoting the use of condoms, earning him the nickname “condom king.”

SMU SIFE

To promote social entrepreneurship and student enterprise, the students at SMU formed SMU SIFE as a student club. The club seeks to educate and equip others with entrepreneurship skills so that they can employ free enterprise principles as a means to better their lot. It is affiliated to the Students in Free Enterprise (www.sife.org) in the United States of America.
SIFE’s programmes touches on some of the hallmarks of SMU’s curriculum, in areas such as market economics, entrepreneurship, business ethics and community outreach. The programme also emphasises teamwork, leadership, communication and project management skills, all of which are integral to SMU’s pedagogy. The students are encouraged to see how they can help the forgotten man in society to gain economic freedom and self-esteem. The club achieves this through projects with non-profit organizations.

5. Management (Entrepreneurship) Concentration

Growing the curriculum in tandem with faculty growth and development, the Management Department in the Lee Kong Chian School is offering a Management Concentration with two tracks – Entrepreneurship and Strategy.

Each track features two common core courses: Entrepreneurship and Business Creation and Entrepreneurial Management. In addition, students choose to read three electives from a list. The concentration is open to all university students but certain rules apply for courses that are existing core course in degree programmes.

The courses planned include the following:

<table>
<thead>
<tr>
<th>Entrepreneurship Track</th>
<th>Strategy Track</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Finance</td>
<td>International Business</td>
</tr>
<tr>
<td>Enterprise Development</td>
<td>Strategy (Restrictions apply)</td>
</tr>
<tr>
<td>International Business</td>
<td>Leadership and Organizations</td>
</tr>
<tr>
<td>Social Entrepreneurship</td>
<td>Management of Creative Industries</td>
</tr>
<tr>
<td>New Product Development</td>
<td>Management of Innovation</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>Corporate Governance</td>
</tr>
<tr>
<td>Seminar in Management Research Methods</td>
<td>Seminar in Management Research Methods</td>
</tr>
<tr>
<td>* 2 Business Study Mission</td>
<td>Business Study Mission</td>
</tr>
</tbody>
</table>

* Business study mission – This is a course that is built around course work and projects on companies, industries and regions in a country or neighbouring countries. Students participate in class discussions and preliminary work on projects which they undertake together with the study trip. SMU has organized study missions to the Silicon Valley, New York, Thailand, China and India. With new missions being planned to Germany, the Mekong Delta and Israel.
A Survey of the Status of Supply Substitutability in U.S. Supreme Court and U.S. Circuit
Courts of Appeal Cases

by

Anthony J. Greco, Ph.D.

ABSTRACT

An ongoing problem in the application of U.S. antitrust law is the delineation of
the appropriate product market. Demand and supply substitutability, as measured by the
coefficients of cross elasticity of demand and the coefficient of elasticity of supply,
respectively, were introduced in the early 1950s as two possible criteria to define product
markets. Although the implementation and calculation of both concepts involve similar
problems, the courts have been more readily receptive of cross elasticity of demand as a
criterion on which to define product markets. Since the author has addressed this issue in
a recent work, he confines his attention in the present paper to reviewing and updating the
use of the supply substitutability concept as a criterion for product market delineation in
U.S. Supreme Court and in the Federal Appeals Courts.

Introduction

An ongoing problem in the application of U.S. antitrust law is the delineation or
definition of the appropriate product market. In the early 1950s, the concepts of demand
substitutability (interchangeability of products among consumers) and supply
substitutability (interchangeability of products among suppliers) were introduced as two
criteria, among others, for use in the delineation of relevant product markets. (Bain, 1952,
Machlup, 1952). These concepts were specifically articulated through the respective
coefficients of cross elasticity of demand and cross elasticity of supply. The cross
elasticity of demand coefficient measures substitutability in the eyes of consumers and is
determined by dividing the percentage change in the quantity demanded of one product
by the percentage change in the price of a different product. A positive sign of this
coefficient of cross elasticity of demand suggests the possibility of a substitute
relationship. The cross elasticity of supply coefficient, on the other hand, measures
substitutability from the viewpoint of suppliers and is similarly determined by dividing
the percentage change in the quantity supplied of one product by the percentage change
in the price of a different product. Here, however, a negative sign of the coefficient of
cross elasticity of supply is suggestive of a substitute relationship between the two goods
under examination. That is, if the price of the one product increases (the denominator),
suppliers will react by bringing more of it to the market. If they, in turn, decrease the
quantity supplied of the other product (the numerator), it may well be that they are
viewing these two products as interchangeable in supply and are substituting the now
higher-priced product for the one’s whose price has remained constant.

Of course, the problems associated with the implementation and calculation of
cross elasticities of demand and supply have been well documented and discussed.
(Armentano, 1990; Bishop, 1961; Clarkson and Miller, 1982; Needham, 1969; Shepherd,
1997; and Stocking, 1957). Although these problems are not necessarily any less severe
relative to cross elasticity of demand coefficients than for cross elasticity of supply
coefficients, courts generally have been much more readily receptive of the former than
of the latter type of cross elasticities in antitrust cases. That is, the courts have generally been more inclined to accept and apply demand substitutability than they have been inclined to do so for supply substitutability in antitrust cases. The author has addressed this issue somewhat in a recent work. (Greco, 2005). Therefore, that issue will not be discussed within this paper. Rather, the paper will review and update the use of the supply substitutability concept as a criterion of product market delineation in the U.S. Supreme Court and in the Federal Appeals Courts. Much of the information presented herein was culled from an earlier article by Werden. The present article, as said above, carries his work forward over time. (Werden, 1992).

Supply Substitutability in the U.S. Supreme Court.

As suggested above, the U.S. Supreme Court has only rarely acknowledged supply substitutability. The Court first did so in 1948 in United States v. Columbia Steel Co. (U.S. v. Columbia Steel 1948). This was a sections 1 and 2 Sherman Act case wherein the U.S. Government opposed the acquisition by U.S. Steel and its subsidiaries of the assets of a major independent steel fabricator because it felt that said acquisition would foreclose other producers of rolled steel products used in the fabrication process from selling to the acquired company. The task before the Court was to determine whether the relevant product market being potentially foreclosed should be limited to plates and shapes (which were manufactured by U.S. Steel and its subsidiaries) or should be extended to include all rolled steel products (i.e. plates, shapes and other products). The Court concluded that the producers of rolled steel products could make other such products interchangeable with the shapes and plates supplied by U.S. Steel and its subsidiaries. Consequently, the Court reasoned that the potential foreclosure of the
proposed acquisition should not be focused on the acquired company’s demand (and hence, supply needs) for just shapes and plates, but rather on its demand for all rolled steel products. (Virginia Law Review, 1979). Notice that there was no specific mention of cross elasticities of supply or any such coefficients computed. Remember that specific coefficients of cross elasticity were not introduced until the early 1950s.

The Supreme Court did not address supply substitutability again until fourteen years later in Brown Shoe Co. v. United States, (Brown Shoe Co. v. U.S., 1962). In its consideration of the relevant product market, the Court, within its textual discussion, relied upon the reasonable interchangeability of use or the cross-elasticity of demand between the product and possible substitutes for it. In a related footnote to this textual reference, the Court reasoned that “the cross-elasticity of production facilities”, might also be of assistance in the proper delineation of the product market within which a vertical merger (the Court chose to initially consider the vertical aspects in this case) was to be examined. (Brown Shoe Co. v. U.S., 1962). The reader will notice that the Court’s above phraseology is equivalent to the now more familiar term “cross elasticity of supply” and that this concept was given a lower priority than the cross elasticity of demand. The Court chose not to expand the relevant product market based on supply substitutability. Further, the reader will note that neither concept was used with much sophistication in that no coefficients of cross elasticity were computed either by the Court or by the opposing parties to the case. It is interesting to note here that although Justice Harlan concurred in the Court’s judgment, he declined to join in the Court’s opinion. In his separate opinion, he argued forcibly that the Court had ignored supply substitutability. He asserted that, after considering the interchangeability in production, the relevant
product market was more appropriately “the complete wearing apparel shoe market”, rather than separate submarkets for men’s, women’s and children’s shoes, the groupings suggested by the Government and adopted as appropriate “submarkets” by the Supreme Court. (Brown Shoe Co. v. U.S., 1962).

Supply substitutability was implicitly an issue in the Rome Cable case. (U.S. v. Aluminum Co. of America, 1964). Since, at that time, utility companies were nearly exclusively buying bare aluminum conductor for the overhead transmission of electric power, bare aluminum conductor was clearly a relevant market. At issue was whether all aluminum conductor (inclusive of insulated aluminum conductor) was also a relevant market. The district court concluded that all aluminum conductor was not a relevant market after finding that insulated copper conductor was a good substitute for insulated aluminum conductor. The Supreme Court, however, disagreed with this finding of the district court and declared that insulated aluminum and insulated copper conductors were in separate markets. The Court found that all aluminum conductors did constitute one market. Three Supreme Court Justices dissented with Justice Stewart criticizing the Court’s exclusion of copper conductor from the definition of the relevant market. Justice Stewart argued that there was manufacturing interchangeability between aluminum and copper and that such “supply flexibility”, as he put it, exerted a significant restraint on any aluminum cable manufacturer quest for market advantage. (Werden, 1992). Finally, the Supreme Court gave some recognition to supply substitutability when it held in Grinnell that the relevant product market consisted of accredited central station alarm services, inclusive of a variety of things, such as, central station burglar alarms and fire alarms. (U.S. v. Grinnell, 1966). The Court did not feel that the individual services
included under the umbrella of the broad product market were competitive with each other but that, for effective competition, central station companies had to provide all or virtually all types of services. As Werden has noted, the Court’s observation herein that there were complimentaries in production warranted the broad market definition adopted. (Werden, 1992). Hence, the last Supreme Court acknowledgment of supply substitutability, albeit rather indirect, was forty years ago.

**Supply Substitutability in the Federal Appeals Court**

Despite the U.S. Supreme Court’s use of supply substitutability in Columbia Steel and the Court’s recognition of its theoretical viability in Brown Shoe, there was an initial reluctance on the part of some courts to accept the principle itself. Although this section focuses on the treatment of supply substitutability in the various Federal Appeals Courts, the initial focus is on a federal district court decision which has been of significance in a number of subsequent court decisions. In the Bethlehem Steel case of 1958, the United States District Court for the Southern District of New York rejected the supply substitutability rationale of Columbia Steel. (U.S. v. Bethlehem Steel, 1958). Whereas Columbia Steel dealt with Sections 1 and 2 of the Sherman Act, Bethlehem Steel dealt with a charge of violating Section 7 of the Clayton Act. In the latter of these cases, defendant Bethlehem Steel had relied on a “production flexibility” argument. The district court rejected this argument contending that any product market definition which ignores buyers and presumably buyer interchangeability in favor of what sellers do or could do, is not meaningful. (U.S. v. Bethlehem Steel, 1958). Hence, the court’s decision hinged on this Sherman Act – Clayton Act distinction. Even though the Supreme Court essentially overturned the above distinction in Grinnell, courts have often relied on Bethlehem Steel
as precedent for discussing supply substitutability arguments. For example, in the *L.G. Balfour Co.* case (*L.G. Balfour v. F.T.C.*, 1971), the Seventh Circuit Court of Appeals rejected the manufacturers’ argument that the relevant product market included not only insignia-bearing goods for college fraternities but rather all emblematic jewelry. Of course, the manufacturers argued for the broader market definition based on the idea of the ease of conversion of manufacturing facilities. In its decision, the Seventh Circuit cited *Bethlehem Steel’s* insistence that buyer behavior and not that of sellers should be the test for market definition. Further, even though the United States Court of Appeals for the District of Columbia acknowledged in *Reynolds Metal Co. v F.T.C.* that nearly 200 decorative foil manufacturers could convert their facilities quickly and efficiently to the making of florist aluminum foil, the Court still rejected the supply substitutability argument on the grounds that the companies were not presently producing florist foil. That is, the Court was declaring that the present condition of supply in an industry or market was of relevance and not the speculative possibilities of what supply within the market could be (*Reynolds Metal Co. v. F.T.C.*, 1962).

Recall that in *Brown Shoe*, the Supreme Court had ruled that the appropriate product “submarkets” (a concept the Court initiated therein) were men’s, women’s and children’s shoes. In its attempt to expound upon and elucidate its concept of a submarket, the Supreme Court inadvertently generated some confusion for future courts decisions by enumerating seven factors, one of which was the presence of “unique production facilities”, to be used in determining the boundaries of any submarket. The problem generated was that the absence of unique production facilities suggests supply substitutability which, standing alone, is enough to invalidate any definition of a
submarket even in the presence of the other six factors mentioned by the Court in Brown Shoe. However, if courts were to view the presence or absence of unique production facilities as only one of the seven factors to be weighed in determining submarket boundaries, they would be diluting the importance of the unique production facilities in determining such boundaries. That is, even in cases where there are no unique production facilities and supply substitutability is indeed possible, if not easy, courts may settle for product market definitions that are too narrow. (Virginia Law Review, 1979). A perfect illustration of this confused thinking occurred in the Third Circuit Court of Appeals’ overruling of a district court decision in Columbia Metal Culvert Co. (Columbia Metal Culvert Co. v. Kaiser Aluminum and Chemical Corp., 1978). The district court had ruled that the relevant product market had to at least encompass the markets for both steel and aluminum culverts because the production facilities facilitated the manufacture of either good. The Circuit Court, however, while acknowledging the nonunique nature of the production facilities, maintained that this fact was insufficient to preclude the existence of submarkets (here steel and aluminum culverts) as a matter of law. (Columbia Metal Culvert Co. v. Kaiser Aluminum and Chemical Corp. 1978).

However, other Circuit Court decisions beginning in the 1970s suggested a trend toward acceptance by the courts of supply substitutability as a key determinant of market boundaries. For example, in the Calnetics Corp. case (Calnetics Corp v. Volkswagen of America, 1972), the district court accepted the product market definition of the plaintiff of only Volkswagen automotive air conditioners over the objections of the defendant who argued that the market should consist of all automotive air conditioners contending that the plaintiff could shift its facilities from the production of Volkswagen air conditioners
to that of other automotive conditioners. Werden has suggested that the Circuit Court may have arrived at the correct decision while applying faulty reasoning. (Werden, 1992). Another prime example of this trend is the Tenth Circuit’s decision in the Telex case (Telex Corp. v. IBM Corp, 1975). Therein, Telex charged IBM with violations of Sections 1 and 2 of the Sherman Act relative to the monopolization of all aspects of plug-compatible peripheral products that were attached to IBM central processing units. However, IBM argued for a broader market definition to include peripheral products that were attachable to all CPU models, whether IBM-made or not. The Circuit Court accepted IBM’s rationale of quick and inexpensive conversion of production facilities and, hence, ruled in IBM’s behalf (Werden, 1992 and Virginia Law Review, 1979).

Further, in Twin City Sportservice, Inc., the Ninth Circuit, in remanding the case to the district court, suggested a supply substitutability analysis to resolve the issue of the appropriate product market. (Twin City Sportservice Inc., v. Charles O. Finley, 1972). The district court had originally accepted the product market definition presented by the plaintiff, i.e. the sale of concession services to major league baseball. However, after the Circuit Court’s contention, upon remand, that there was a high degree of supply substitutability, the district court expanded the product market definition to include the sale of concession services to buyers of all franchises for leisure time activities, major league baseball and otherwise. (Virginia Law Review, 1979). In an even more innovative decision, the Fifth Circuit Court in Yoder Brothers, found demand substitutability present in one market on the basis of the existence of supply substitutability in yet another market. (Yoder Brothers v. California-Florida Plant Corp., 1976). Yoder Brothers was charged with monopolizing the sale of chrysanthemum cuttings. The defendant company
argued for a broader market definition contending that chrysanthemums were demand substitutes since they were reasonably interchangeable with other ornamental plants from the point of view of the buyers of the cuttings. The Circuit Court concurred with Yoder’s broader market definition noting that growers could and did shift their production among the various types of ornamental plants in response to the dictates of consumer demand. Since these observed shifts in production connoted supply substitutability, the Circuit Court concluded that the relevant product market did, indeed, include the cuttings of all ornamental products, not just those of chrysanthemums. (Virginia Law Review, 1979).

The Sixth Circuit Court of Appeals noted that the cross elasticity of supply, like cross elasticity of demand, also helps to define a relevant product market in Virtual Maintenance, (Virtual Maintenance, Inc. v. Prime Computer, Inc., 1993). Therein, Virtual Maintenance accused defendant Prime of engaging in an illegal tying arrangement in violation of Section 1 of the Sherman Act through Prime’s sale of certain computer software support services in conjunction with computer hardware maintenance for its 50 Series minicomputers. In district court, a jury found in favor of plaintiff Virtual to whom it awarded compensatory damages. These damages were then trebled by the district court in conjunction the provisions of the Sherman Act. Upon appeal, the Sixth Circuit reversed and vacated the decision and remanded the case to the district court. In reaching its decision, the Sixth Circuit considered the two alternative definitions of the tying product market presented by the district court to the jury. These definitions were: (1) the sale of software revisions and support for the CAD/CAM industry in general, and (2) the sale of such necessary to do business with Ford Motor Company. Although the Sixth Circuit found no error in the district court’s first market definition, the Court noted that
this definition required the jury to find that defendant Prime had market power, i.e. power over price, in the sale of all software revisions and support for the CAD/CDM industry in general. Noting that Prime had, at most, an eleven percent share of said market, the Sixth Circuit concluded that Prime lacked substantial market power in this market. (Virtual Maintenance, 1993).

Regarding the second definition of the tying product market provided to the jury by the district court, the Sixth Circuit Court agreed with defendant Prime’s contention that such definition was too narrowly defined in that this definition of “Ford-required CAD/CAM” was limited to a single manufacturer’s brand of software (PDGS, in this instance). As such, this narrow definition ignored the influence of interbrand competition. The Sixth Circuit went on to state that defining a market by one company’s (Ford’s) requirements created the appearance of market power based solely on market demand conditions. The Sixth Circuit felt that this approval was wrong because it ignored the supply side of the market. It clearly asserted that the relevant product market could not be delineated without considering the cross elasticity of supply. (Virtual Maintenance, 1993).

However, the Sixth Circuit soon vacated its holding relative to plaintiff Virtual’s second definition of market power based on the sale of software revisions and support necessary to do business with Ford Motor Company, i.e. the Ford – required PDGS brand of CAD/CAM. This action was taken by the Sixth Circuit after the U.S. Supreme Court had directed the Sixth Circuit to reconsider its original decision on Virtual in light of the Supreme Court’s decision in the Eastman Kodak case that the existence of competition in a primary equipment market did not preclude a finding of monopoly power in derivative
aftermarkets. (Eastman Kodak v. Image Technical Service, 1992). In Eastman Kodak, a group of independent service organizations that had been servicing Kodak copying and micrographic equipment for roughly a decade brought a suit against Kodak after Kodak began restricting the sale of replacement parts for such equipment exclusively to those buyers who also purchased Kodak service for this equipment or who repaired their own machines. The plaintiffs contended that, due to Kodak’s policy, they were unable to obtain suitable parts, forcing many of them out of business. Further, the plaintiffs charged that Kodak’s policy forced many customers to switch to Kodak servicing of their machines even though they preferred the service provided by the plaintiffs. Hence, the plaintiffs alleged that Kodak had violated the Sherman Act by tying the sale of service (tied product) to the sale of parts (tying product).

Kodak argued in its defense that interbrand competition that it experienced in the equipment market foreclosed, as a matter of law, a finding of monopoly power in derivative markets (parts and equipment service). The Supreme Court refused to accept Kodak’s proposed rule, especially due to Kodak’s failure to provide any actual data on the proposed markets. In so ruling, the Supreme Court relied on the plaintiffs’ contention that the existence of significant information and switching costs rendered Kodak’s aforementioned argument inadequate to explain the behavior of the primary and derivative markets for such complex and durable goods as Kodak’s copying and micrographic equipment. The Supreme Court reasoned that for the service – market price to affect the demand for the original equipment potential consumers had to employ a “lifecycle pricing” strategy, i.e. one of estimating the total cost of the equipment –
purchase, service – market package at the time of purchase. Such a pricing strategy, the Court reasoned, was difficult to perform. In addition, the cost of switching equipment could be substantial, thereby prompting purchasers of existing equipment to tolerate some measure of service price increases before opting to switch brands of equipment. The existence of such “locked-in” customers could permit the realization of monopoly profits in the derivative or aftermarket of equipment service provision. (Eastman Kodak, 1992).

In light of Eastman Kodak, the Sixth Circuit concluded that it had erred in rejecting plaintiff Virtual’s second per se violation of the Sherman Act claim. This claim, the reader will recall, focused on the definition of the tying product as the PDGS software required to do business with Ford. The Sixth Circuit reasoned that the fact that extensive interbrand competition existed in the primary market concerning Ford’s decision to grant an exclusive distributor’s license for its version of PDGS could not, after the Eastman decision, preclude Virtual’s second per se claim relative to market power because of the information costs alluded to in Eastman. That is, once Ford chose a single distributor for its software from the many available prospects (as it subsequently did in choosing Prime), this had the effect of imposing a Prime equipment and service of that equipment combination on Ford’s design companies, an arrangement that would necessitate that said suppliers employ the aforementioned difficult to achieve lifecycle pricing strategy. Further, the Sixth Circuit maintained that it had also erred in rejecting the locked-in customer argument proferred in Eastman and asserted by plaintiff Virtual in its claim against Prime. The Sixth Circuit had initially rejected this claim on the basis of the presence of interbrand competition in the initial purchase of Prime’s software package and its 50 Series minicomputers. Though the Sixth Circuit believed that such competition
did exist in these primary markets, it became convinced by virtue of its reading of *Eastman Kodak* that this competition could not preclude the monopoly power extant in the derivative markets of software support and minicomputer hardware maintenance service due to the locking in of customers to their original equipment. (*Virtual Maintenance*, 1993).

Hence, as mentioned above, the Sixth Circuit vacated its ruling on plaintiff Virtual’s second per se claim of market power. It reversed its verdict and remanded the case for a new trial. In so doing, the Sixth Circuit did not specifically negate its initial reasoning relative to Virtual’s second per se claim. That is, it did not deny the importance of defining a market or submarket on the basis of supply, as well as demand, consideration. Nor did the Sixth Circuit reject the specific assertion in its decision that the cross elasticity of supply had to be considered in the determination of a relevant product market. It simply set aside that specific language in its attempt to address the Supreme Court’s instruction to reconsider its ruling in light of *Eastman Kodak*. In actuality, the issues of information costs and switching costs to which the Sixth Circuit alluded in its ruling to vacate its original decision are, indeed, supply considerations dealing with customers’ ultimate sources of supply.

The Eleventh Circuit Court of Appeals did consider both cross elasticities of demand and supply in its ruling in *U.S. Anchor Mfg.* (*U.S. Anchor Mfg., Inc. v. Rule Industries*, 1993). At issue herein was a claim by U.S. Anchor that Rule Industries, Inc. and Tie Down Engineering, Inc., had engaged in illegal predatory pricing. Specifically, the two defendants were alleged to have attempted and conspired to monopolize the national market for light weight fluke-style anchors for small boats through a system of
below-cost pricing intended to drive out competition from said market. The defendants were appealing the district court’s denial of their motions for judgment notwithstanding the jury’s verdict on claims by plaintiff U.S. Anchor. The Eleventh Circuit ultimately reversed the denial of the defendants’ motions. In its decision, the Court noted that there were four distinct product groups recognized within the fluke anchor industry: (1) expensive premium anchors, (2) the “Danforth Standard” brand line of anchors sold only by defendant Rule, (3) “generic” versions of the Danforth/Standard, and (4) inexpensive economy anchors used mainly for lake boating. (U.S. Anchor Mfg., Inc., 1993).

Relying on the Supreme Court’s ruling in Brown Shoe, (Brown Shoe Co. v. U.S., 1962), the Eleventh Circuit stated that defining a “submarket” was equivalent to defining a relevant product market for antitrust purposes. In attempting to provide accurate measures of relevant markets, the Eleventh Circuit echoed the wording of International Telephone and Telegraph (In the Matter of International Telephone and Telegraph, 1984), that the most accurate estimates of relevant markets were reliable measures of supply and demand elasticities. However, the Eleventh Circuit continued, it is usually rather difficult to measure cross-elasticities of supply and demand accurately. Consequently other factors suggested in International Telephone and Telegraph, usually had to be considered in defining product markets. Despite recognizing that Danforth brand anchors produced by defendant Rule were functionally interchangeable with their equivalent counterpart generic brands, the Eleventh Circuit held that the relevant product market in this case was light weight generic and economy fluke anchors. The Court ruled that plaintiff U.S. Anchor’s evidence was insufficient to lead jurors to conclude that was a significant cross-elasticity of demand between generic and economy fluke anchors and
the Danforth brand of anchors. Further, the Eleventh Circuit similarly ruled that the
evidence provided by U.S. Anchor was not sufficient to persuade jurors that a significant
cross-elasticity of supply relationship existed between generic and economy fluke
anchors and the Danforth brand of anchors. The Court asserted that, based on the
evidence provided, the jury could not have reasonably found that the manufacturing
capacity used to produce Danforth anchors would have likely been switched to the
production of generic anchors in response to moderate price increases by a sole seller of
the less expensive generic anchors. (U.S. Anchor Mfg., 1993). Hence, the Eleventh
Circuit did indicate the importance of cross elasticity of supply relationships in defining a
product market, although it did not find the appropriate establishment of such
relationships in the evidence presented by the plaintiff U.S. Anchor.

In the SBC Communications case before the District of Columbia Circuit Court,
SBC Communications, Inc. and Bell South Corporation appealed an order of the Federal
Communications Commission approving the transfer of radio licenses and other
authorizations from McCaw Cellular Communications, Inc., to AT&T Corporation in
connection with the merger of those two concerns. (SBC Communication v. FCC, 1995).
At that time, AT&T was the leading provider of interexchange (IX) service in the country
and one of the largest manufacturers in the U.S. market for cellular telephone equipment
and software necessary to operate a cellular carrier. McCaw was then the leading
provider of cellular telephone service in the U.S. Under their 1993 merger plan, McCaw
was to become an AT&T subsidiary after transferring control of its over 400 radio
licenses to AT&T.
Plaintiff SBC disputed the product market definition adopted by the Federal Communications Commission in considering the horizontal impact of the merger of McCaw and AT&T. The Commission viewed the relevant market as the national market for IX service. SBC contended that it should be the market for IX service provided to cellular customers in “cellular service areas in which McCaw offers services”, (SBC Communications, 1995). To substantiate its contention, SBC argued that cellular long distance callers did not generally regard landline phones as a viable alternative to the cellular service. However, the D.C. Circuit Court maintained that the substitutability of supply, not merely substitutability of demand, was relevant in defining a product market. The D.C. Circuit Court asserted that there was no significant difference between the interexchange facilities available to customers making such a call from either a wireline telephone or a cellular phone. In citing various legal sources to demonstrate that supply substitutability was a well-accepted consideration in the delineation of markets, the D.C. Circuit referred to one of its own earlier rulings in which it specifically referred to the cross elasticity of supply. (Rothery Storage Van Co. v. Atlas Van Inc., 1986). The D.C. Circuit then went on to declare that in contrast to plaintiff SBC’s claim, the Federal Communication Commission had, indeed, relied on supply substitution in defining the relevant market in this case. Due to these and other considerations, the D.C. Circuit affirmed the order of the Federal Communications Commission.

**Summary and Conclusions**

The concepts of cross elasticity of demand (interchangeability of products among consumers) and cross elasticity of supply (interchangeability of products among suppliers) were formally introduced into the economics literature in the early 1950s as
two possible criteria on which to evaluate the proper delineation of relevant product markets. The author has herein contended that the cross elasticity of demand has been, to this point, more readily adopted than the cross elasticity of supply by the judicial system as a viable criterion on which to base the definition of relevant product markets. Since the author has already addressed this contention elsewhere, he has focused his efforts herein on the treatment afforded to the cross elasticity of supply concept by the U.S. Supreme Court and U.S. Courts of Appeal. He has found that the U.S. Supreme Court has only referred to or relied upon supply substitutability, by one name or another, in four of its decisions. Further, these decisions occurred over the timespan 1948-1966. Hence, the last case in which the Supreme Court recognized supply substitutability was forty years ago.

In its Columbia Steel decision of 1948, the U.S. Supreme Court first referred to supply interchangeability as such. Then in the Brown Shoe decision of 1962, the Supreme Court, in a footnote, mentioned that “the cross elasticity of production facilities” might be of some additional use in the delineation of markets. Further, in a separate opinion, Justice Harlan argued that the majority opinion of the Supreme Court had ignored supply substitutability. Next, in the Rome Cable case of 1964, three Supreme Court Justices dissented from the majority opinion and argued in favor of supply flexibility in the delineation of the relevant product market. Then in the Grinnell decision of 1966, the Supreme Court, in arguing that the appropriate product market was accredited central station alarm service, gave recognition to the consideration of supply substitutability in formulating what constituted such service. Therefore, the U.S. Supreme Court has not often even referred to, much less relied upon, supply substitutability as a crucial factor in the delineation of relevant product markets. As seen above, even in these
few aforementioned cases, the use of supply substitutability as a market-delineating criterion was not necessarily endorsed by the majority of Justices.

Of course, one would expect that supply substitutability would have been considered with greater frequency by the U.S. Circuit Courts of Appeal than by the U.S. Supreme Court. Although, this is generally true, the author uncovered less than ten U.S. Appeals Court decisions alluding, in some way, to supply substitutability. As suggested earlier, the various Circuit Courts of Appeal were initially reluctant to accept supply substitutability as a viable criterion on which to base market delineation. This early trend was actually launched by a decision of the United States District Court for the Southern District of New York in the Bethlehem Steel case of 1958. Therein, the District Court rejected the supply substitutability rationale promulgated in the Supreme Court’s Columbia Steel decision of 1948. Subsequently, the Circuit Court for the District of Columbia rejected supply substitutability as a basis for market definition in its Reynolds Metals decision of 1962. The Circuit Court for the Seventh District asserted in its Balfour decision of 1971 that buyer behavior rather than that of sellers should be the test for proper market definition. Then again, in its Metal Culvert v. Kaiser decision of 1978, the Third Circuit Appeals Court, while acknowledging the virtual interchangeability of the production facilities for steel and aluminum culverts, ruled that this was insufficient to preclude the existence of submarkets (steel and aluminum culverts) from the buyers’ point of view.

However, this trend of downplaying the relevance of supply substitutability began to be reversed, although probably through rather faulty reasoning by the Ninth Circuit Court of Appeals in the Calnetics Corp. decision of 1972. Then in the Telex v. IBM case
of 1975, the Tenth Circuit Court accepted IBM’s rationale of quick and inexpensive conversion of production facilities. Also in 1975, the Ninth Circuit remanded the *Twin City Sportservice* decision to the district court contending that said court had not considered the high degree of supply substitutability that existed in formulating its product market definition. Further, in 1976, the Fifth Circuit Court of Appeals found demand substitutability present in one market based on the existence of supply substitutability in another market in the *Yoder Brothers* case.

Three decisions in the 1990s rendered in three distinct Circuit Courts reinforced the trend toward acceptance of supply substitutability as a relevant criterion for market determination. First, in the *Virtual Maintenance* decision of 1992, the Sixth Circuit initially maintained that the relevant product market could not be established without considering cross elasticities of supply. Although the Eleventh Circuit Court of Appeals did not find in its *U.S. Anchor Manufacturing* decision of 1993, that the plaintiff had established an appropriate cross elasticity of supply relationship, the Court did acknowledge the importance of such relationships in the delineation of relevant product markets. Most recently, the Circuit Court for the District of Columbia, in the *SBC Communications* case of 1995, maintained that substitutability of supply, as well as substitutability of demand, was relevant in defining a product market. The reader will note that this represents a reversal of this Circuit’s earlier rejection of the supply substitutability standard in its *Reynolds Metals* decision. Hence, there has been a greater acceptance of supply substitutability as a standard for market delineation over the twenty-year span of 1975-1995. Although no Circuit Court decisions have been rendered over roughly the past ten years, one would suspect that supply substitutability has been firmly
established as at least one of the standards to be examined in an attempt to define relevant product markets.
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Accounting Students’ Perceptions of The Audit Profession: Can We Impact?

Steven R. Jackson
The University of Southern Mississippi

and

K. W. VanVuren
The University of Tennessee at Martin

Abstract

The purpose of this study was to measure the impact of an instructional novella, “The Auditor”, on the perceptions that auditing students have concerning the auditing profession. Students in two different auditing classes were presented a questionnaire on the first day of class. The questionnaire elicited their opinions on various aspects of auditors, their actions, and the auditing process. Studying the novella increased students’ confidence in the value of an audit and the ability of the audit profession to self-regulate itself. After studying the novella, students increased their perception that the auditor has a responsibility to ensure that client financial statements are consistent with conventional accounting practices and that the future viability of the client company is not in doubt. Furthermore, student’s perception’s of the effectiveness of auditors at prescribing remedies to problems, coping with risk and uncertainty, and providing useful service to clients became more positive. In summary, students had an increased confidence in the effectiveness of auditors and the auditing process.

Introduction and Literature Review

At no other time in the history of the accounting profession has there been such an impact to the financial reporting function within the capital market structure. In the past the profession has experienced scandals and faced questions about the auditing profession, but the media coverage of these events was less intense than the coverage today. Potential and current accounting students and their parents have greater access to information concerning the current accounting scandals which increases the potential impact on decisions concerning careers.
Student decisions pertaining to majoring in accounting are impacted by the perceptions these students have of the accounting profession. Students may choose accounting as a major right out of high school or may make the choice after starting college. A number of factors such as job availability, starting pay, potential for advancement and the impressions of what the career will provide, impact the decisions of students to become or remain accounting majors.

Many accounting programs have faced declining enrollments in the last few years even while those same accounting programs have updated curricula and increased efforts to recruit students. Barsky, et al. (2003) points out that accounting programs cannot control important external issues that arise in today’s dynamic business marketplace. This study looks at one aspect of this business marketplace, specifically the impact of recent accounting scandals and the impact of those scandals on the perceptions of the students about the profession.

Barsky, et al. (2003) states that many students and their parents simply do not understand how dramatically the role of accountants and their education has changed during the past decade (Barsky and Catanach 2001). Few realize that the accountant’s role has evolved from that of financial accounting and tax advisor to one of consultant who offers advice on a variety of management issues, including performance improvement, human resource systems, and other financial matters (IMA 1999). In fact, a recent Harris poll (2001) on the “prestige of professions” rated accountants 16th out of 17 listed professions. The accounting scandals project the image that accounting may no longer be such a stable profession. The related risk of legal liability, criminal prosecution and pressure for unethical behavior also may dampen student interest in accounting (Barsky, et al. 2003).

In a 1996 study, Gramling, et al. presented results of a survey questionnaire used to ascertain whether the perceptions of undergraduate business students about audit expectation issues would be changed after completion of an undergraduate auditing course. They also compared the perceptions of students subsequent to completion of an auditing course to the perceptions of professional auditors. The issues addressed in their study include: the appropriate role for auditors; the specific parties to whom auditors should be responsible; the prohibitions and regulations that should be placed on audit firms; and the decisions that auditors would likely make in a series of specific case studies. The survey results were also used to provide evidence as to the perceptions of these three groups regarding key performance attributes of auditing.

The remainder of this paper is outlined as follows. The second section describes the survey instrument used to obtain the empirical evidence and provides information on the survey respondents. The third section presents the analysis of the survey responses. The fourth section concludes with summary comments; and the final section discusses possible limitations of the paper and makes suggestions for future research in this area.

Methodology and Survey Instrument

The subjects for the study were students in an undergraduate auditing class. There were 51 students in total, 26 females and 25 males. On the first day of class, the students were asked to complete an eight page survey. The survey was based on an instrument developed, tested, and used in a study of the audit expectations gap in Britain.
(Humphrey, et. al., 1993). Modifications were made by Grambling, et. al (1996), in recognition of differences in auditing and accounting issues between Britain and the United States, and this was the instrument used in the present study. The survey instrument consists of four primary sections: 1) a set of questions designed to elicit opinions on the role and nature of auditing; 2) a set of questions used to identify the attributes that subjects associate with aspects of auditor performance; 3) a series of short case studies used to determine actions that participants perceive auditors would take in a variety of circumstances; and 4) a set of questions designed to obtain biographical information and personality variables about the respondents.

The set of questions on the role and nature of auditing consists primarily of statements regarding existing and possible audit roles, prohibitions and regulations in the audit environment, and parties to whom auditors should be responsible. For each of the statements in this set, respondents were asked to indicate the extent of their agreement or disagreement with the statement on a seven-point Likert scale (1= Strongly disagree; 4=Neutral; 7=Strongly agree).

For the set of questions concerning potential prohibitions and regulations on an audit firm, respondents were asked to reply to various statements on the same Likert scale. Respondents were also asked to respond as to how successful they perceive auditors are at various activities (1=Extremely unsuccessful; 4=Neither successful or unsuccessful; 7=Extremely successful). For this set of questions, respondents could also indicate that the activity was not applicable to auditors.

The short cases provide a total of nine responses. Two responses refer to possible audit report qualifications; two refer to potential whistle-blowing situations; one refers to a potential resignation situation; and four refer to the level of work that an auditor would be expected to complete.

The initial stage of the course consisted of reading and studying The Auditor, a fictional account of an accounting student and his progress from student to partner in a large CPA firm, (The Auditor: An Instructional Novella, James K. Loebbecke, Prentice Hall, 1999) and then discussing it in class. The questionnaire was administered a second time after classroom discussion of the Novella.

**Discussion of Results**

The results of the first section of the questionnaire dealing with views about auditors and the auditing process are shown in Table One. The focus in this section is on auditors, as individuals, and the audit process. Out of thirteen questions in this section, four showed statistically significant movement in terms of average response pre-reading of the novella versus post-reading of the novella. One question elicited expression of opinion to the phrase “the auditing process is seriously weakened by imprecise accounting standards.” The pre-reading average score on this question was 3.73. The post-reading average score was a statistically significant decline to 3.22 (p=.044). This result indicates that after reading The Auditor students changed their opinion to have a greater confidence in the efficacy of the audit process regardless of the precision of accounting standards.
Table One
Views about Auditors and the Auditing Process

<table>
<thead>
<tr>
<th>Statements</th>
<th>Students Pre-Reading</th>
<th>Students Post-Reading</th>
<th>T Value (p-value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The auditing process is seriously weakened by imprecise acctg. standards</td>
<td>3.73</td>
<td>3.22</td>
<td>1.733 (.044)</td>
</tr>
<tr>
<td>An audit is of very little use to a company</td>
<td>2.04</td>
<td>1.65</td>
<td>1.710 (.047)</td>
</tr>
<tr>
<td>The quality of audit work is adequately regulated by the audit profession</td>
<td>4.59</td>
<td>4.86</td>
<td>-1.345 (.092)</td>
</tr>
<tr>
<td>Audit committees comprising non-executive directors should improve</td>
<td>4.41</td>
<td>4.96</td>
<td>-2.945 (.002)</td>
</tr>
</tbody>
</table>

1=Strongly disagree, 4=Neutral, 7=Strongly Agree

Another question in this section of the questionnaire that showed a statistically significant change (p=.047) was, “Do you agree/disagree with the statement: An audit is of very little benefit to a company?” The pre-reading average score was 2.04; the post-reading score was 1.65. Again, this is evidence that one impact of The Novella was to give students a greater appreciation of the importance of the audit and the effectiveness of the audit process.

The students were also asked whether they think that the quality of audit work is adequately regulated by the audit profession. Before reading The Auditor the average response was 4.59; after reading The Auditor the average response went up to 4.86. This is a statistically significant change (p=.092), and again, can be interpreted as the students having a favorably enhanced opinion as to the effectiveness of the auditing profession after studying the novella.

It appears that the changing responses to the three questions mentioned above all point to a growing positive attitude that accounting students seem to have about their chosen profession. Furthermore, it is interesting to note another question in this section of the questionnaire that had to do with the need for outside directors on a company’s audit committee. After studying the novella, students more strongly felt (before=4.41, after=4.96, p=.002) that audit committees comprised of non-executive directors should improve auditor independence. The most reasonable interpretation of this result is that while the general affect of The Auditor was to increase students’ confidence in and respect for auditing, students also developed a heightened belief that the auditor can’t “go it alone”. Auditor independence needs to be bolstered by more independence from management (i.e., more outside directors on audit committees of clients).

Table two presents significant results in the section of the questionnaire addressing the role of auditors with respect to the audited company and their financial
statements. The results of this section of the survey provide evidence that students developed a heightened conviction that the auditor should take on a high level of responsibility for the quality of clients’ financial statements. For example, one question asked for agreement/disagreement to the notion that it is part of the role of the auditor to ensure that companies’ financial statements are consistent with conventional accounting practices. The average pre-reading response on this issue was 5.90; the average post-reading response increased to 6.35 (p=.002).

Table Two
Views about the Role of Auditors
With Respect to the Audited Company and Their Financial Statements

<table>
<thead>
<tr>
<th>Statements</th>
<th>Students Pre-Reading</th>
<th>Students Post-Reading</th>
<th>T Value (p-value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The auditors’ role with respect to audited financial statements of companies should be to ensure that:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>they are consistent with conventional accounting practices</td>
<td>5.90</td>
<td>6.35</td>
<td>-3.081 (.002)</td>
</tr>
<tr>
<td>The auditors’ role with respect to the audited company should be to ensure that:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the future viability of the company is not in doubt</td>
<td>4.96</td>
<td>5.29</td>
<td>-1.279 (.10)</td>
</tr>
<tr>
<td>the balance sheet provides a fair valuation of the company</td>
<td>6.00</td>
<td>6.27</td>
<td>-1.371 (.088)</td>
</tr>
<tr>
<td>all significant fraud is detected</td>
<td>5.94</td>
<td>5.31</td>
<td>2.995 (.002)</td>
</tr>
</tbody>
</table>

1=Strongly disagree, 4=Neutral, 7=Strongly Agree

Another question posited the statement: “The auditors’ role with respect to the audited company should be to ensure that the future viability of the company is not in doubt.” The average response to this question increased from 4.96 to 5.29 (p=.10). Another question asked for agreement/disagreement with the notion that part of the auditors’ role with respect to the audited company is to ensure that the balance sheet provides a fair valuation of the company. Before studying The Novella an average score of 6.0 indicates relatively strong agreement with this statement, but after studying the novella the average response increased to 6.27 (p=.088). The changes in all three of the above mentioned questions indicate an increased perception on the part of students to “raise the bar” as to the level of responsibility that should be assigned to the auditor with respect to the informative quality of clients’ financial statements.
However, students apparently think that this intensified level of responsibility can only be taken so far. On the question exploring whether auditors should be responsible for the detection of all significant fraud, the pre-reading average response was 5.94. After studying *The Auditor* the average score was 5.31. This represents a very strong (p=.002) change of perception regarding the culpability of the auditor in fraudulent financial reporting situations.

Table three presents the results of the group of questions dealing with propositions relating to prohibitions and regulations on an audit firm.

<table>
<thead>
<tr>
<th>Statements</th>
<th>Students Pre-Reading</th>
<th>Students Post-Reading</th>
<th>T Value</th>
<th>(p-value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>An audit firm should:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>not act primarily to make a profit</td>
<td>4.43</td>
<td>4.84</td>
<td>-1.394</td>
<td>(.085)</td>
</tr>
<tr>
<td>have limited liability determined by statute</td>
<td>4.39</td>
<td>4.76</td>
<td>-1.704</td>
<td>(.047)</td>
</tr>
</tbody>
</table>

In this section of the questionnaire, two questions were statistically significantly different. In response to the statement that an audit firm should “not act primarily to make a profit”, the pre score was 4.43. After studying *The Auditor* the average response increased to 4.84 (p=.085). Another question elicited reaction to the notion that audit firms should have limited liability determined by statute. The pre score was 4.39; the post score was significantly higher at 4.76 (p=.047). These seemingly contrary results (a de-emphasis on profits is arguably to the detriment of the audit firm while limited liability is to its advantage) are actually consistent with those found in the preceding section. On the one hand, after reading *The Auditor*, students had a greater awareness of the auditors’ responsibility to society (that the auditor should not primarily be interested in profit); while on the other hand, they also seemed to have a greater appreciation of the need for establishing reasonable limits to expectations of auditor performance (that there is a need for limited liability statutes).

In this section of the questionnaire, two questions were statistically significantly different. In response to the statement that an audit firm should “not act primarily to make a profit”, the pre score was 4.43. After studying *The Auditor* the average response increased to 4.84 (p=.085). Another question elicited reaction to the notion that audit firms should have limited liability determined by statute. The pre score was 4.39; the post score was significantly higher at 4.76 (p=.047). These seemingly contrary results (a de-emphasis on profits is arguably to the detriment of the audit firm while limited liability is to its advantage) are actually consistent with those found in the preceding section. On the one hand, after reading *The Auditor*, students had a greater awareness of the auditors’ responsibility to society (that the auditor should not primarily be interested in profit); while on the other hand, they also seemed to have a greater appreciation of the need for establishing reasonable limits to expectations of auditor performance (that there is a need for limited liability statutes).

Table four presents the results of the series of questions having to do with how successful auditors are at performing various audit-related activities. The scale ranged from 1=extremely unsuccessful to 7=extremely successful. The first two questions that showed statistically significant changes in perceptions had to do with problem-solving skills. The first question addressed auditors’ ability to diagnose problems. Before studying *The Auditor* students’ average response was 5.59; after studying *The Auditor* the average response was 5.92 (p=.023). Relatedly, students were asked how they feel about auditors’ facility at prescribing remedies to problems. The average response for this question went from a pre score of 5.25 to a post score of 5.53 (p=.059). Another question dealt with risk/uncertainty coping ability. For this question the average response also increased after reading *The Auditor* (pre=5.39, post=5.73,
p=.047). The last question solicited an opinion as to the degree the auditors’ work provides a useful service to clients. Again, the average response increased after studying *The Auditor*, going from a pre-score of 6.27 to post score of 6.53 (p=.029). It is interesting to note the impact of *The Auditor* on the perceptions of students about the effectiveness of auditors and the auditing process.

Table Four
Views About How Successful Auditors Are At Particular Activities

<table>
<thead>
<tr>
<th>Statements</th>
<th>Students Pre-Reading</th>
<th>Students Post-Reading</th>
<th>T Value (p-value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>diagnosing problems</td>
<td>5.59</td>
<td>5.92</td>
<td>-2.051 (.023)</td>
</tr>
<tr>
<td>prescribing remedies to problems</td>
<td>5.25</td>
<td>5.53</td>
<td>-1.588 (.059)</td>
</tr>
<tr>
<td>coping with risk &amp; uncertainty</td>
<td>5.39</td>
<td>5.73</td>
<td>-1.706 (.047)</td>
</tr>
<tr>
<td>providing a useful service to clients</td>
<td>6.27</td>
<td>6.53</td>
<td>-1.947 (.029)</td>
</tr>
</tbody>
</table>

1=Strongly disagree, 4=Neutral, 7=Strongly Agree

There was a section of the questionnaire that presented a series of small problematic situations that might possibly come up in the course of an audit. The point of the vignettes was to elicit from students their judgment as to how the typical auditor would react in the various situations. Table five presents the results of the three situations where the average response changed significantly after reading *The Auditor*. The first scenario involved an insider trading situation. The question posed to the students was their perception of the likelihood the auditor, upon discovery, would refer to the matter in the audit report (assessed on a seven-point Likert-scale ranging from never=1 to always=7). Students’ initial judgment was on average 4.9. After studying *The Auditor* the average response went to 5.2 (p=.091).

Another situation involved the auditors discovering a major defective product problem with significant contingent liability implications and the likelihood the auditors would report such a matter in the client’s audit report. On this question the change in the students’ perception as to the probable auditor action was even more pronounced. The average response went from 4.98 before studying *The Auditor* to 5.58 after (p=.008).

The last scenario involved collection of audit evidence. The scenario dealt with a physical inventory involving a chain of warehouses. Students were asked their opinion of the number of warehouse inventory counts the auditors would choose to observe. The response scale of counts to be observed ranged from zero to six. Before studying the novella the students’ average response was 3.20; the after response was 3.54. This .34 point increase in the average response was statistically significant with a p-value =.098
Table Five
Judgments as to How Auditors Would React in Various Situations

<table>
<thead>
<tr>
<th>Statements</th>
<th>Students Pre-Reading</th>
<th>Students Post-Reading</th>
<th>T Value (p-value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Re: an “insider dealing” situation – How likely is it that the auditor will refer to the matter in the audit report?</td>
<td>4.90</td>
<td>5.20</td>
<td>-1.353 (p=.091)</td>
</tr>
<tr>
<td>Re: contingent liability situation – How likely is it that the auditor will refer to the matter in the audit report?</td>
<td>4.98</td>
<td>5.58</td>
<td>-2.475 (p=.008)</td>
</tr>
<tr>
<td>Re: physical inventory-taking scenario – What is the most likely number of warehouse inventory counts that you think the auditors will attend?</td>
<td>3.20</td>
<td>3.54</td>
<td>-1.309 (p=.098)</td>
</tr>
</tbody>
</table>

I=Strongly disagree, 4=Neutral, 7=Strongly Agree

Once again it can be seen that in all three instances of change, the average response increased. In all three instances a higher number indicates a more ethical judgment on the part of the auditor. In that the questions were posed in terms of what the respondent thinks the auditor would do, this section of the questionnaire presents additional evidence that the impact of *The Auditor* was to enhance the students’ confidence in the ethical behavior of auditors.

Summary

The purpose of this study was to observe evidence of the impact of studying an instructional novella on auditing. The novella inspired in students a more positive feeling about auditors and the auditing process. After studying the novella, students expressed greater agreement with the notion that the audit is effective in spite of imprecise standards. The novella also inspired in students a greater confidence in the usefulness of an audit and the ability of the audit profession to self-regulate itself. However, after studying the novella, students felt more strongly the need for truly independent outside-member audit committees to enhance the ability of auditors to adequately do their jobs.

Concerning the role of auditors with respect to the audited company and its financial statements, after studying the novella, students felt more strongly that the auditor has a responsibility to ensure that financial statements are consistent with conventional accounting practices. Students also felt that auditors have a responsibility for financial statements to ensure that the future viability of the client company is not in doubt. Furthermore, students also came away from studying *The Auditor* with a stronger feeling that the auditor has a responsibility for the financial statements to provide a fair valuation of the client company. About the only slack that the students grant the individual auditor is that they increasingly warn that it is unreasonable to hold the auditor...
responsible for the discovery of all significant fraud that an unscrupulous client might perpetrate.

In regard to views about possible prohibitions and regulations on an audit firm, students more strongly felt that an audit firm should not act primarily to make a profit. However, they also felt that increased statutory limited liability be made available to audit firms.

*The Auditor* also affected students’ opinions about how successful auditors are at performing several audit related activities. Studying the novella enhanced students’ opinions of the auditor as a problem-identifier, problem-solver, and manager of risk and uncertainty.

Finally, a reading of the novella had an impact on students’ judgments as to how auditors would react in various audit-related situations. The questionnaire results indicated that students anticipate auditors taking ethically strong actions in such areas as reporting insider trading activity and contingent liability exposure due to faulty product.

**Discussion**

More research needs to be done in this area to measure the impact of the auditing course on these perceptions and how we as accounting educators might overcome the negative perception of the profession to attract the best and brightest students to major in accounting.

This study looks at a very small sample of students and may not have validity outside those groups studied. The students were in two different regions of the country which may have an impact on the perceptions of the students. The impact of the audit professor and textbook should have no impact on the responses because the questionnaire was administered at the beginning of each semester however; the other accounting coursework taken preceding the audit class may have impacted the responses.

These threats aside these results indicate a change in perception of accounting students in today’s environment that should be considered when recruiting and retaining accounting majors.

**References**


Harris Poll. 2001. Number 50: Doctors Seen As Most Prestigious of Seventeen Professions and Occupations, Followed by Scientists (#2), Teacher (#3), Clergy (#4), and Military Officers (#5). *Harris Interactive* (October 10).


Executive Information Search: Validity Enhancement Through Mixed-Mode Data Collection

Bruce A. Walters  
Louisiana Tech University  
Department of Management and Marketing  
College of Administration and Business  
PO Box 10318  
Ruston, LA  71272  
318-257-2473  
Email: bwalters@cab.latech.edu

James J. Jiang  
Department of Management Information Systems  
University of Central Florida  
Orlando, FL 32816  
E-mail: jjjiang@cab.ucf.edu

Gary Klein  
College of Business and Administration  
University of Colorado at Colorado Springs  
1420 Austin Bluffs Parkway  
Colorado Springs, Colorado 80933-7150  
Tel: 719-262-3157  
Fax: 719-262-3494  
E-mail: gklein@computer.org

ABSTRACT

Much of the research dealing with computer-aided decision support systems has utilized laboratory settings. We argue that a research strategy employing multiple data collection methodologies can enhance the validity of findings. This paper describes the information search behaviors of chief executive officers of small manufacturers using two samples and two methodologies. One sample consisted of CEOs responding to surveys intended to indicate the intensity with which information from the firms’ external environment and the firms’ internal characteristics drew the CEOs’ attention. The other sample, a smaller sub-sample of the larger one, engaged in a behavioral simulation study conducted in a field setting in which CEOs responded to interactive, computer-delivered scanning tasks. Both internal and external validity were enhanced by using a combination of behavioral and survey techniques to demonstrate a relationship between espoused behaviors and actual behaviors. Additionally, we can infer characteristics of the large sample from more in-depth analysis of the smaller sample because of the similarities between samples. The result is increased confidence in both external and internal validity using mixed modes, while economizing on sample size.

Most experimental work in information systems (IS) research has favored laboratory
settings because of the high internal validity—the relationships between the dependent variables and independent variables. But studies adopting experiments often lack external validity—the degree to which the conclusions in a study can be generalized to the targeted population, settings, and times (Cook and Campbell, 1979). Mingers (2001) argues that a “pluralist” approach to IS research, using different research methods and paradigms, may result in richer and more reliable research results. One way to enhance both external and internal validity is to use a mixed-mode method of data collection, such as questionnaires surveying a larger number of target sample members who cannot participate in an experiment. In adopting the mixed-mode technique, the researcher must assume that the method of data collection will not affect the quality of the data. This type of mixed-mode technique may take IS researchers a step toward Mingers’ (2001) pluralist ideal. The internal validity of a study will be threatened if the data collected by two different methods are of different quality (e.g., if the conclusion drawn from an experiment is different from that drawn from surveys), and generalizability will be threatened if the differences in data quality make the sample unrepresentative of the population on major parameters.

We combine a field experiment with a field study to assess top executives’ information search behaviors. In the field experiment, a total of 39 chief executive officers (CEOs) of smaller manufacturing companies in a southwestern state were asked to perform interactive, computer-delivered information search tasks, which recorded the frequency of requests from various sectors and the order of information search. These same participants were asked to respond to surveys measuring information search behaviors by assigning importance ratings to internal and external environment sectors used in making strategic decisions. By using both methods, the goal was to enhance internal validity in our findings drawn from field experiments regarding likely search behaviors of manufacturing CEOs. Thus, we can explore whether the internal validity of these constructs may be preserved using survey methods alone. In the field study, a broad cross-section of the targeted population—122 manufacturing CEOs—was surveyed to examine the generalizability of the CEOs’ information search behaviors and implications for EIS (executive information system) design. We compare the survey results from the larger CEO sample with those from the smaller CEO sample (who also participated in the field experiments).

This study has a dual purpose. First, findings may offer prescriptions for increasing both internal and external validity while economizing on sample size and researchers’ constraints. The use of a mixed-mode data collection method may enhance generalizability of studies adopting experiments, which have been heavily favored in studies of individual computer-aided information systems (Benbasat, 1989). The multiple measures of search behavior and multiple methods used allow evaluation of convergent validity (Campbell & Fiske, 1959). Second, CEOs’ information requirements are examined using a “disaggregated” approach, offering potential implications for EIS design. Both external sectors and internal firm characteristics are included, representing a more realistic conceptualization of CEOs’ search processes than presented in most prior environmental scanning research emphasizing external scanning (e.g., El Sawy, 1985; Elenkov, 1997; Jain, 1984; Kefalas & Schoderbek, , 1973; Smeltzer, Fann, & Nikolaisen, 1988).

BACKGROUND

Strategic decisions are ambiguous and multifaceted, and unless executives are sufficiently aware of their firms’ internal attributes and external environmental trends and their potential impact, and unless their perceptions are accurate, they cannot form appropriate
judgments. Many EIS studies consistently identify providing timely, accurate, and relevant information as the most critical EIS development problems (e.g., Houdeshel & Watson, 1987; Rainer & Watson, 1995; Volonino & Drinkard, 1989; Watson and Rainer, 1991). How do executives scan their internal and external environments when gathering information for strategic decisions? Acquisition of critical information is essential for success in a changing environment (Daft, Sormunen, & Parks, 1988), yet the sheer abundance of information often means executive attention is focused on subsets of available data, while some potentially important data sources are ignored (Hambrick, 1981).

The External and Internal Environment

Environmental scanning literature has examined the external environment in capturing managers’ attention (e.g., Aguilar, 1967; Daft, Sormunen, & Parks, 1988; El Sawy, 1985; Elenkov, 1997; Hambrick, 1981, 1982; Jain, 1984; Kefalas & Schoderbek, 1973; Smeltzer, Fann, & Nikolaisen, 1988). The external environment includes market, technological, competitive, political/legal, economic, and sociocultural sectors. In addition to external scanning, success also requires constant and vigilant attention to internal aspects of the firm. Porter (1985) argues that management’s awareness of a firm’s internal characteristics (i.e., value chain) is critical to competitive advantage. These elements include market research, product research and development, basic engineering, financial management, cost controls, and operational efficiency.

Our first hypothesis concerns the internal validity of a mixed-mode data collection combining a field experiment and questionnaire survey. A low correlation between search behaviors observed in the field experiment and those reflected in questionnaires would indicate a potential threat to internal validity. High internal validity is an advantage of experimental studies. Threats to internal validity can be reduced or eliminated by the use of experimental design (Campbell and Stanley, 1966). Some threats to validity are more likely to occur in laboratory experiments, such as experimental artifacts, subjects’ awareness of being part of an experiment and trying to act like a “good subject” (Fromkin and Streufert, 1976), and experimenter expectancies (Benbasat, 1989). Field studies allow generalization to larger populations. Kerlinger (1986: 374) notes field studies are “strong in realism, significance, strength of variables, theory orientation, and heuristic quality.” Realism is obvious, and closest to real life, as contrasted with the artificiality and generic nature of the experimental task. But retrospective accounts of organizational phenomena are sometimes flawed and influenced by positive or negative attributes associated with the time periods in question and how recent events occurred (Golden, 1992). A strong relationship between survey and experimental results could bring us closer to ameliorating these fears as regards executive information search.

H1o: There will be a significant relationship between measures of search behaviors in a field experiment and measures reflected from questionnaires, increasing our confidence in the internal validity of findings.

Our second hypothesis concerns the external validity of an experiment conducted to examine the CEOs’ search behaviors. The major criticism of experiments relates to external validity. Weaknesses commonly include lack of realism, inability to manipulate factors (i.e., independent variables), and limited number of subjects (Benbasat, 1989). Regarding laboratory experiments, Kerlinger (1986) argues that the research situation is deliberately manipulated to exclude many distractions of the natural setting. The present study employs a field experiment. The laboratory experiment maximizes control, and a field experiment operates with less control. If the research situation can closely approximate the conditions of the laboratory experiment,
however, “the field experiment is powerful because one can in general have greater confidence that relations are indeed what one says they are” (Kerlinger, 1986: 370). And the variables are considered stronger because of the realism. Cook and Campbell (1979) suggest researchers choose a target population and setting to which they want to generalize and draw a representative sample for that target to improve external validity. They also emphasize that external validity can be enhanced by replication both within a study and across studies. Thus:

H2o: The characteristics of subjects participating in a field experiment and those participating in a field study will be sufficiently similar to increase our confidence in the external validity of the findings.

METHOD

Study One was designed to examine the search behaviors of a large sample of manufacturing firm CEOs using traditional survey methods. In Study Two, CEOs in a smaller sub-sample were interviewed on-site, asked to perform interactive, computer-delivered scanning tasks wherein they were to assume leadership of hypothetical firms, and given the same survey as the sample in Study One. Our primary goal in Study Two was to examine the CEOs’ actual scanning practices via a behavioral simulation (Gist, Hopper, & Daniels, 1998), allowing us to examine subjects’ internal and external information search patterns in real time. Following is a description of sample construction, and the procedures and operationalizations of variables employed in each study. Then, results are reported based on both studies. CEOs were selected for both studies from manufacturing firms that appeared in a large southwestern state's Directory of Manufacturers and that met the criteria that each firm: 1) must have been an independent business rather than a subsidiary, a division of another firm, or a unit of a conglomerate; 2) must have been in a single business, indicated by operation in only one four-digit SIC code; and 3) must have had from 50-99 employees. Criteria 1 & 2 helped to ensure that the CEOs’ scanning would not be influenced by parent firm preferences or by the differing business-level strategies of multiple divisions. Criterion 3 facilitated hypothesis testing with smaller firms, where most of the environmental scanning is likely done by the CEO and where the influence of search behaviors may be expected to be greatest (Miller & Toulouse, 1986). Of the firms that met all criteria, the CEOs of those within a day’s drive of the researchers were eligible to complete the surveys as well as participate in the search task. The remaining CEOs were eligible for participation via surveys.

CEOs for Study One were sent packets containing questionnaires intended to identify CEO perceptions of the importance of external environmental sectors and internal firm attributes with regard to their contribution to strategic decision-making. Pilot tests of the questionnaires conducted using three CEOs who were not included in the final sample were intended to check the clarity and appropriateness of the instrument. These tests resulted in minor clarifications. Packets were sent to top executives of two hundred seventy-three autonomous, non-diversified manufacturing firms. Usable responses were received from the top executives of 74 firms, representing a 27% response rate. The mean size of the firms studied was 103 employees (s.d. = 136, range= 10 to 1100). Although most firms had less than 100 employees, rapid growth achieved by a minority of outliers (as noted by the range) pushed the mean to 103. The firms manufacture a variety of products, including metal cans, automotive accessories, draperies and blinds, laboratory instruments, and living room furniture. The average executive had spent 10.7 years (s.d. = 9.5) in his/her present position and was 49.7 years old (s.d. = 10.3). Average length of time at the firm was 15.3 years (s.d. = 11.1), and average length of time in the industry was
21.3 years (s.d. = 12.1). Measures of search behavior were adapted from the external environmental sectors used by Daft, Sormunen, and Parks (1988) and Aguilar (1967), and the internal capabilities of the value chain believed to be critical to competitive advantage (Porter, 1985). These sectors are described in Table 1. In this study, the CEO participants were asked to rate the importance of the six previously described sectors of the internal environment and six sectors of the external environment when gathering information useful for making strategic decisions, on a 1 (very important) to 7 (not at all important) scale.

Additional data were collected for Study Two through on-site CEO interviews. First, an initial letter was sent to the targeted CEOs soliciting their participation and informing them that a follow-up telephone call would be made to schedule a 20-30-minute meeting. During the interview, the CEO was asked to perform interactive information search tasks on a notebook computer, assuming leadership of hypothetical firms. Pilot tests resulted in minor clarifications to the written and verbal task instructions provided by the researchers. The CEOs of one hundred twelve autonomous, non-diversified manufacturing firms were initially contacted via letter and multiple follow-up telephone calls. These firms represented all firms meeting the criteria for inclusion within the geographic area, facilitating field visits. Eighty-one top executives were reached via telephone, and 47 agreed to participate. Those who declined most frequently cited lack of time or company policy against participation in academic research projects as reasons for non-participation. The titles of those who agreed to participate in the experiment were CEO, President, or President and CEO, and in each case the individual was the top executive in the firm. During each field visit, an interview took place during which the respondent described the firm's products and services, target markets, future plans, and other strategic issues. The subject was provided instructions, the task was completed, and the subject was debriefed. Usable responses to the firm-specific questionnaires were received from the CEOs/Presidents for 42 firms, representing a 38% overall response rate. The mean size of the firms in Study Two was 84 employees (s.d. = 76, range = 20 to 500). Although most firms had less than 100 employees, rapid growth was achieved by a minority of firms subsequent to their reports to the state directory of manufacturers (as noted by the range). The firms manufacture a variety of products, including PVC pipe, leg braces, bridge cranes, printed circuit boards, corrugated boxes, cable television equipment, logic pneumatic control valves for industrial machine tools, and undertakers' cosmetics and embalming fluids. The average CEO had spent 11.4 years (s.d. = 8.9) in the CEO position and was 49.5 years old (s.d. = 10.6). The average length of time with the firm was 15.8 years (s.d. = 9.5), and average length of time in the industry was 21 years (s.d. = 12.1). Each CEO was presented on a notebook computer with a generic strategic scenario instructing participants that one of their first tasks as CEO was to meet with the board of directors to discuss a number of strategic issues. After reading the scenario, the CEO was allowed to choose from a menu of internal capabilities and external environmental sectors to: acquire a data element representing the situation in the chosen sector, review that data element, select another sector from which to receive another data element, and so on. The CEOs’ choices were tracked via a software package that unobtrusively records the data selections made by each user (Brucks, 1988; Rosman, Lubatkin, & O'Neill, 1994). Scanning emphasis was determined by both the order in which the CEOs scanned the sectors and the frequency with which each sector was consulted. This approach allows for a real-time objective measure of scanning and provides for simultaneous selection among internal and external sectors, as is the case in actual executive information search situations. The frequency with which the CEO
consulted each sector was determined by a count of the number of “bullets” of information retrieved from each sector.

CEOs were presented with strategic decision scenarios via Search Monitor, a computer-driven software package that provides reliable measures of information acquisition (Brucks, 1988; Rosman, Lubatkin, & O’Neill, 1994). A notebook computer facilitated the task and helped standardize the procedures. The use of computer-controlled experiments to study information acquisition and search provides several advantages over other laboratory methods such as the information display board. These include the ability to precisely monitor activities, maintain tight control over task variables, and build contingencies into the system. In addition, a large variety of factors may be incorporated, creating a richer and more complex information environment. Thus, subjects may choose from a variety of environmental sectors, using a variety of sources, acquiring various types of information. As each subject interacts with Search Monitor, the frequency of visits to each sector is recorded. Subjects assumed leadership of a hypothetical manufacturing firm and instructed that one of their first tasks as CEO was to meet with the board to discuss a number of strategic issues, and that they could acquire information describing the firm’s current situation. In the scenario, the hypothetical firm was described by elaborating how it had been successful in terms of product uniqueness, technological speed, cost savings, etc. After being briefed about the upcoming board meeting, subjects were instructed that they could acquire information through a variety of sectors and sources presented in the form of menus. They could return to previous menus at any time to acquire additional information. Then a menu was presented containing a list of both external and internal sectors. Menu choice arrangements were alternated among subjects to minimize order effects. After choosing a category, subjects were presented with information describing the current situation within the appropriate sector. For instance, if the subject chose market environment (describing customers’ tastes, preferences, etc.), the information bullet might read: "Your sales manager estimates a 2% increase in sales of your core products for next year." Subjects had the option of obtaining more information from the current sector or going to a different sector. When subjects felt they had acquired enough information, they indicated they were ready to meet with the board.

**DATA ANALYSIS AND RESULTS**

To examine the first hypothesis regarding the relationship between task scanning behaviors (i.e., frequency and order of information search) in the field experiment and their perceptions of the importance of sectors reflected in the surveys, we used the CEOs who completed both the computer scanning task and the surveys. The frequency with which a CEO consulted each sector was determined by a count of the number of “bullets” of information retrieved from each sector. The order of information search was obtained from the decision trace of each subject. Spearman correlations between task scanning order and task scanning frequency \((r=.87, p<.001)\), task scanning order and questionnaire importance ratings \((r=.87, p<.001)\), and task scanning frequency and questionnaire importance ratings \((r=.78, p<.01)\) indicates that, with regard to order and frequency of information search, behavior in the field experiment task had a reasonable degree of similarity to information importance questions reflected in the survey, supporting H1. To test H2, survey results from the 39 CEOs participating in the experimental task were compared to survey results collected from the other 122 CEOs. The “experiment” sample had two “ties” (ranks of 4 and 9). With few exceptions (e.g., product R&D), the difference between the two samples is not significant with respect to ratings of various sectors when gathering information for making strategic decisions. Table 2 presents mean values of
importance ratings and the rank corresponding to the ratings. External validity of the importance placed on various sectors appears to be intact, even when considering only the smaller sample.

**CONCLUSIONS AND IMPLICATIONS**

This study represents an endeavor to demonstrate that validity can be enhanced using a mixed-mode method of data collection in executive information systems research. Both external and internal information appears critical for CEOs in order to make strategic decisions for their firms. The present research emphasized the search processes of CEOs of smaller firms, because our interest was in top executives who operate at both the strategic and operational levels and who do most of the environmental scanning for their firms. The procedures we used allowed us to investigate the full array of internal and external search in a more realistic fashion than has been presented in much of the environmental scanning literature.

The use of the two different samples allowed for investigation of information search behaviors via two different methods. The broader survey sample provided greater power to test the hypotheses than would be available using the task sample alone. In addition, the field experiment allowed much more detail in measuring information search behaviors at the time they were being performed, rather than relying solely on retrospective accounts, which are subject to numerous biases (Golden, 1992). This includes the frequency with which each sector was consulted, and the sequence in which they were selected. Finally, results from the survey instrument could be compared to those from the task to explore any differences between them.

The importance of specific information sectors to CEOs was measured in three ways: the number of requests (from the experiment), the order of search (from the experiment), and the importance CEOs assigned to each sector (from survey responses). These measures exhibited a reasonable degree of similarity, supporting the internal validity issue of H1. We have reasonable confidence that the importance CEOs place on particular sectors corresponds to their scanning behaviors in the behavioral simulation. This result supports the contention that our field experiment has internal validity. In addition, the similarity between the 39 CEOs participating in the experimental task and the 122 CEOs who only completed surveys offers support for H2. External validity of the scanning constructs (i.e., the attention CEOs devote to various sectors) appears to be intact, even when considering only the smaller sample.

The mixed-mode methodology possesses a number of strengths. The broad cross-section of industries in both samples, for example, may serve to improve generalizability to other smaller manufacturers. Also, the convergent validity achieved through studies with very different methods - wherein the large sample size and multiple measures of the survey sample complement the small sample size, experimental manipulation and task richness in the experimental sample - increases confidence in the combined results. The contributions of this study include: 1) providing information requirements for an EIS targeted for small manufacturing firms; 2) providing empirical support for adopting a mixed-mode data collection method to enhance the external validity of field experiment studies in EIS; and 3) providing a comparison between top executives’ “intended” versus “realized” environmental scanning practices.
REFERENCES


### TABLE 1: THE EXTERNAL AND INTERNAL ENVIRONMENT

<table>
<thead>
<tr>
<th>EXTERNAL SECTORS</th>
<th>EXAMPLES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Environment</td>
<td>Customer trends, tastes and preferences</td>
</tr>
<tr>
<td>Technological Environment</td>
<td>Breakthroughs in products, processes, technology</td>
</tr>
<tr>
<td>Competitive Environment</td>
<td>Actions of competitors, buyers, and suppliers</td>
</tr>
<tr>
<td>Political/Legal Environment</td>
<td>Actions of legal officials</td>
</tr>
<tr>
<td>Economic Environment</td>
<td>Interest rates; inflation; savings rates; currency fluctuations</td>
</tr>
<tr>
<td>Sociocultural Environment</td>
<td>Societal trends, changing values, morality, fads</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>INTERNAL SECTORS</th>
<th>EXAMPLES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Research</td>
<td>Customer database, segmentation, customer tracking</td>
</tr>
<tr>
<td>Product R&amp;D</td>
<td>Research on new products and features, patent activity</td>
</tr>
<tr>
<td>Basic Engineering</td>
<td>Discoveries, basic knowledge collection</td>
</tr>
<tr>
<td>Financial Management</td>
<td>Financial efficiency, capital, use of cash</td>
</tr>
<tr>
<td>Cost Controls</td>
<td>Cost containment efforts, reduction of overhead</td>
</tr>
<tr>
<td>Operational Efficiency</td>
<td>Scale economies, reduced waste, production, cycle time</td>
</tr>
</tbody>
</table>

### TABLE 2: IMPORTANCE RATING COMPARISONS

<table>
<thead>
<tr>
<th>Sectors</th>
<th>“Experiment” Sample</th>
<th>“Survey Only” Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean (n=39)</td>
<td>Mean (n=122)</td>
</tr>
<tr>
<td></td>
<td>S.D.</td>
<td>S.D.</td>
</tr>
<tr>
<td></td>
<td>Rank</td>
<td>Rank</td>
</tr>
<tr>
<td>Sectors</td>
<td>t-Value</td>
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<td>Market Env.</td>
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<td>2.46 1.43 3 1.78</td>
</tr>
<tr>
<td>Tech Env.</td>
<td>3.05 1.49 6 1.00</td>
<td>3.33 1.64 6 1.00</td>
</tr>
<tr>
<td>Comp Env.</td>
<td>2.56 1.50 4 0.88</td>
<td>2.80 1.44 4 0.88</td>
</tr>
<tr>
<td>Pol/L Env.</td>
<td>4.08 1.51 9 0.00</td>
<td>4.08 1.83 10 0.00</td>
</tr>
<tr>
<td>Economic Env.</td>
<td>3.90 1.64 8 1.01</td>
<td>3.59 1.78 8 1.01</td>
</tr>
<tr>
<td>Soc Env.</td>
<td>5.21 1.59 10 1.67</td>
<td>4.70 1.88 12 1.67</td>
</tr>
<tr>
<td>Mkt Research</td>
<td>2.95 1.59 5 0.21</td>
<td>3.57 1.70 7 0.21</td>
</tr>
<tr>
<td>Prod R&amp;D</td>
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<td>4.15 1.62 11 1.81</td>
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<tr>
<td>Basic Eng</td>
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<td>4.00 1.80 9 0.24</td>
</tr>
<tr>
<td>Fin Mgt</td>
<td>2.56 1.50 4 1.64</td>
<td>3.02 1.61 5 1.64</td>
</tr>
<tr>
<td>Cost Controls</td>
<td>1.87 1.03 2 1.68</td>
<td>2.21 1.30 2 1.68</td>
</tr>
<tr>
<td>Oper. Effic.</td>
<td>1.82 1.05 1 1.61</td>
<td>2.16 1.42 1 1.61</td>
</tr>
</tbody>
</table>

Notes:
1. Lower ranking numbers indicate greater importance.
2. None of the t-value is greater than 1.96 (at the p-value = .05 level).
3. The rank-order test is not significant at p-value = .05 level.
Walking the Tightrope: The Impact of Teaching and Service on Scholarly Productivity for Accountants

Kimberly Gladden Burke*
Professor of Accounting
Millsaps College
burkekg@millsaps.edu  (601) 974-1280

Blakely Fox Fender
Associate Professor of Economics
Millsaps College
fendebf@millsaps.edu  (601) 974-1269

Susan Washburn Taylor
Professor of Economics
Millsaps College
taylosw@millsaps.edu  (601) 974-1278

*Mailing address for all authors:  Millsaps College; 1701 N. State St.; Jackson, MS 39210

Abstract

This study investigates the relationships among research productivity, teaching and administrative service based on individual-specific information from 467 academic accountants. Responding to an online survey, these accountants provided information regarding their teaching and service commitments as well as personal and institutional information. The publication record of each respondent was then obtained by searching three academic databases. Together, these data constitute a rich field for the systematic study of research productivity.

Results of a Tobit analysis reveal much about the nature of research productivity, underscoring, for instance, the importance of coauthorship, presentations at conferences, and institutional support. Among the more important findings from this analysis is that both teaching and administrative service commitments have a significantly negative impact on the research productivity of academic accountants. Taken together, the results provide interesting insights into the roles of academic scholars, teachers and colleagues.
Ethical Business Decision-Making: A Comprehensive Validation of Forsyth’s Ethics Position Questionnaire

Angelina S. MacKewn  
The University of Tennessee at Martin

and

K. W. VanVuren  
The University of Tennessee at Martin

Abstract

The topic of ethical decision-making is of acute interest in the business world. One tool that was developed in the early 1980’s to help measure and understand the dynamics of ethical decision-making was Forsyth’s Ethics Position Questionnaire (EPQ). There are two constructs purportedly measured by the EPQ – Idealism, which basically posits that individuals are driven in their ethical decision-making by moral absolutes, and Relativism, which says that ethical decision-making is dependent upon context (i.e., there are no moral absolutes). The purpose of this paper is to conduct a comprehensive statistical validation of the EPQ. To do so, we administered the EPQ to a sample of students at a mid-sized public university in the mid-South. The results of a correlation analysis indicated that the notions of Idealism and Relativism are indeed separate and distinct constructs. A Factor Analysis also confirmed that the EPQ consists of questions that do segregate statistically into the two groups of Idealism and Relativism. A Cluster Analysis further confirmed that the participants did cluster along these same two parameters, and finally a Discriminant Analysis indicated that group membership (Idealist versus Relativist) could be accurately predicted using the EPQ. Our over-all conclusion is that the EPQ is a strong instrument for measuring and predicting individual distinction in terms of being an Idealist or a Relativist.
Putting your best grade forward!

Amitabh S. Dutta  
Columbus State University, Columbus GA

W. Rhea Ingram  
Columbus State University, Columbus GA

Patrick Hogan  
Columbus State University, Columbus GA

Contact Author:
Amitabh S. Dutta  
D. Abbott Turner College of Business  
Columbus State University  
4225 University Avenue  
Columbus, Georgia 31907  
Phone: (706) 568-2044  
Fax: (706) 568-2184  
e-mail: dutta_amitabh@colstate.edu, duttacsu@hotmail.com

Abstract
The authors present a case for considering the application of differential weights across the examinations administered in a class, with a student’s best score in the semester being weighted the highest and the worst score the lowest. Two classes are presented as examples in which such differential weighting was applied and the impact on student grades is examined.
Putting your best grade forward!

Introduction

Have you ever been asked by a student in a class you are teaching if there was anything that he or she could do to improve their grade? The most common suggestion being, “I could write a paper on……”.

If so, you are not alone! From speaking to colleagues personally, as well as anecdotal evidence gathered at Conferences – it seems every single faculty member we have asked, across all disciplines, has had to ponder on an appropriate response to similar student requests.

Most of us though do not accede to such requests. The strongest reason not to, of course, is that it is not fair to offer just one or two students this right to improve his or her grade. So, in the interest of fairness, you would have to offer the same opportunity to the entire class. This then would end up changing how you had laid out the class grading system to begin with – not to mention an increase in the workload for that particular class. Then, you would start thinking, well, is it fair NOT to offer a similar facility to all the other classes you are teaching? So, while you may sympathize with the students who seem just a tad away from passing or getting a better grade – generally, there is nothing to be done to help them.

Being graded ourselves

Now turning for a moment away from student grading to faculty evaluation – when we face our annual evaluation, especially in our run-up to tenure – we are most concerned about presenting ourselves in the best light possible. The three mantras we chant as faculty are Research, Teaching and Service. Of course, depending on your institution, these 3 areas get different emphases. In fact, our institution allows each faculty member to choose what percentage of his or her evaluation should get weighted in each sector – within provided ranges.

Here is the flexibility offered by our Faculty handbook:

Teaching: Weighted between 50 to 60%
Research: Weighted between 15 to 35%
Service: Weighted between 10 to 25%

In Spring 2005, while selecting the percentages to weight our individual portfolios, the lead author was struck by the similarity between grading students and being graded ourselves. This led to the natural questioning of why do we not offer such a differential weighting to student effort. For example, in 10+ years of teaching – mostly all classes we have taught have either 3 or 4 examinations. These are typically equal-
weighted – either 33.3% or 25% each. If the class requirements include a project, a written report or presentation, then excluding the points allocated to that effort - the remaining points are usually equally distributed across the exams. Some faculty do have a system of dropping one exam – or allowing students to opt out of the Final – which effectively drops their potentially lowest score, but still equal-weight the exams that do count towards the grade.

**Considering differential weighting**

So, upon due reflection, there seemed to be a good case for offering students the opportunity to have their efforts graded by applying differential weights.

The first step was to decide what the weights should be. Never having done this before, nor hearing of anybody else having done so, there was no guideline to follow. Every colleague asked, replied that their exams were weighted equally. It seemed intuitive that there should be some spread of weights wide enough to make a difference. Then, whether there were 3 exams or 4, needed to be considered. Lastly, if there were to be any student efforts besides exams that were graded had to be included in determining these differential weights. As the reason to explore this differential weighting was to help students potentially improve their course grade – it was important to make sure they knew how the system would work. Accordingly, the syllabus was modified to highlight that this was a way for students who did badly in one exam to *help themselves by doing better in the other two!* The following is an excerpt from the syllabus introducing the change in exam-weighting [in a class that had only 3 in-class exams as graded effort]:

| Assessment and Grading: | The professor administers three exams during the term. Exams may contain multiple choice, fill-in the blank, essay or computational questions. Exams will be weighted 45%, 35% and 20% to calculate the final course grade. The differential weights will be assigned to help students achieve the best grade possible. Due to this feature, **NO REQUESTS WILL BE ENTERTAINED FOR ANY OTHER POSSIBILITY TO HELP IMPROVE CLASS GRADE!!**

Letter grades for the course will be assigned according to the following scale:

A: 90-100; B: 80-89; C: 70-79; D: 60-69; F: below 60 |

In administering the differential weighting system over 3 full semesters + 2 summers in different Finance classes, the lead author has had **NO** requests from any student whatsoever about any potential way to improve his or her grade.
Results of differential weighting of examinations

For illustrative and discussion of results purposes, we present some analysis of two classes, both taught and graded during the Fall 2006 regular, full-time semester.

The first class is a Real Estate Finance class, which had 39 students enrolled. This is the class whose syllabus excerpt was presented earlier, with the 3 weights chosen to be 45%, 35% and 20%. In the interests of brevity – the entire class’ grade is not being presented. Instead, Table 1 below shows just the results of the 7 students who managed to improve their grade due to the differential weighting scheme. Columns 2-4 show the student’s grade out of a possible 100 for the three exams administered during the course. Column 5 is calculated assigning a 1/3 equal weight to each exam – and column 6 shows the grade the student would have achieved without differential weighting. Lastly, columns 7 and 8 show the total points and the grade the same student actually earned with the differential weighting method.

<table>
<thead>
<tr>
<th>STUDENT</th>
<th>EXAM 1</th>
<th>EXAM 2</th>
<th>FINAL</th>
<th>TRADITIONAL WEIGHTING</th>
<th>DIFFERENTIAL WEIGHTING</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SCORE</td>
<td>GRADE</td>
<td></td>
<td>SCORE</td>
<td>GRADE</td>
</tr>
<tr>
<td>1</td>
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</tr>
<tr>
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<td>83</td>
<td>62</td>
<td>87</td>
<td>77.3</td>
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</tr>
<tr>
<td>3</td>
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<tr>
<td>4</td>
<td>77</td>
<td>76</td>
<td>84</td>
<td>79.0</td>
<td>C</td>
</tr>
<tr>
<td>5</td>
<td>80</td>
<td>82</td>
<td>76</td>
<td>79.3</td>
<td>C</td>
</tr>
<tr>
<td>6</td>
<td>85</td>
<td>98</td>
<td>86</td>
<td>89.7</td>
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<td>7</td>
<td>76</td>
<td>55</td>
<td>73</td>
<td>68.0</td>
<td>D</td>
</tr>
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</table>

The second class is an Investments class, which had 22 students enrolled. This class has a required project, a written analysis of an assigned firm, its industry and the U.S. economy. The project grade forms 20% of the course grade. So, the remaining 80% was distributed across 3 exams over the course of the semester. The weights chosen were 40%, 25% and 15% and the syllabus was modified to show the same. The emphasis – about this differential weighting being the sole method for a student to improve his or her grade, was maintained and highlighted on the first day of class. Table 2 presents the results for this class. 5 out of 22 students enrolled were able to improve their grade due to this weighting scheme. The columns are similar to those presented in Table 1 – except for the inclusion of a new column 4, which shows the grade earned by each student on their submitted project. Columns 6-9 correspond to columns 5-8 in Table 1.
TABLE 2

FALL 2006: INVESTMENTS

<table>
<thead>
<tr>
<th>STUDENT</th>
<th>EXAM 1</th>
<th>EXAM 2</th>
<th>FINAL PROJECT</th>
<th>TRADITIONAL WEIGHTING</th>
<th>DIFFERENTIAL WEIGHTING</th>
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<tr>
<td></td>
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<td>GRADE</td>
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<td>78</td>
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<td>88.2</td>
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Possible concerns

Thus, the results do show the desired effect – that is, students are managing to improve their grades when differential weightings are applied instead of the standard equal-weighting of exams. However, the first concern of most faculty members will be – are we being too generous in awarding grades? Given the current debate on grade inflation, surely we must be cautious that we do not engage on a path that will only increase the potential problem!

In examining Table 1, we can see that the improved grades awarded were 3 As, 3 Bs and a C. Many Universities today are concerned about faculty being overly generous, especially in awarding As. Looking at the 3 Bs that improved to As, it is seen that all three students had actual raw scores of 2 Bs and an A in their 3 exams. Does this mean that just by scoring an A in one exam and 2 Bs – a student would be automatically assured of earning an A as the course grade?

TABLE 3

FALL 2006: REAL ESTATE FINANCE

<table>
<thead>
<tr>
<th>STUDENT</th>
<th>EXAM 1</th>
<th>EXAM 2</th>
<th>FINAL</th>
<th>TRADITIONAL WEIGHTING</th>
<th>DIFFERENTIAL WEIGHTING</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>SCORE</td>
<td>GRADE</td>
</tr>
<tr>
<td>8</td>
<td>87</td>
<td>88</td>
<td>91</td>
<td>88.7</td>
<td>B</td>
</tr>
<tr>
<td>9</td>
<td>87</td>
<td>85</td>
<td>92</td>
<td>88.0</td>
<td>B</td>
</tr>
<tr>
<td>10</td>
<td>86</td>
<td>89</td>
<td>90</td>
<td>88.3</td>
<td>B</td>
</tr>
<tr>
<td>11</td>
<td>80</td>
<td>85</td>
<td>90</td>
<td>85.0</td>
<td>B</td>
</tr>
<tr>
<td>12</td>
<td>91</td>
<td>83</td>
<td>86</td>
<td>86.7</td>
<td>B</td>
</tr>
</tbody>
</table>
Not so, says the data. In the same Real Estate Finance class, there were 5 other students in the identical situation – of having scored 2 Bs and an A in the three exams administered during the semester. Their grade calculations are presented in Table 3 and it is seen that even with the differential weighting applied, just by scoring an A in one exam – does not raise their grade to an A.

As can be seen by comparing Tables 1 and 3 – the students whose grade improved from B to A – had to have a combination of a high A (which is denoted by an A+, in some Universities) and either two mid-range Bs or one high B (B+, in some Universities). If a student barely made an A in one exam – it would not improve the course grade.

What if this does not sit well with an individual faculty member? This notion - of scoring an A – even an A+ in one of three exams – and getting an A for the class! One way to manage the outcome would be to specify upfront in the syllabus – words to the effect – that though the differential weighting will be applied, to earn the next higher grade – or at least to score an A in the class – a student would have to get an A in two of three exams.

However, if one feels that an outstanding performance in one exam – may be an outlier and not indicative of the true ability of an individual student, let us look at Table 4 below. It presents the exam grades for 2 other students in the Real Estate Finance class, both of whom had one stellar performance, in the Final. If we had applied the standard 33.3% weighting to these scores – the students would have earned the same grade – as they did with the differential weights. As shown, both students had Cs in the other two exams – and getting an A+ in the Final – improved their course grade to B – without the benefit of differential weighting. Thus – one stellar performance – even with standard weighting – already has the potential to improve a student’s grade.

TABLE 4

<table>
<thead>
<tr>
<th>STUDENT</th>
<th>EXAM 1</th>
<th>EXAM 2</th>
<th>FINAL</th>
<th>TRADITIONAL WEIGHTING</th>
<th>DIFFERENTIAL WEIGHTING</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>SCORE</td>
<td>GRADE</td>
</tr>
<tr>
<td>13</td>
<td>74</td>
<td>79</td>
<td>91</td>
<td>81.3</td>
<td>B</td>
</tr>
<tr>
<td>14</td>
<td>78</td>
<td>70</td>
<td>100</td>
<td>82.7</td>
<td>B</td>
</tr>
</tbody>
</table>

Alternative Weighting Schemes

The authors wish to emphasize that the weights used in the Finance classes are by no means the definitive or recommended weights. If a faculty member wishes to consider applying differential weights to individual exams administered within a course – it is possible to explore different weights on classes already completed – especially if one
wishes to have a certain percentage distribution of class grades. As an example, we present Table 5, where we take the 7 students whose grades improved in the Real Estate Finance class – with the application of differential weights – 45%, 35% and 20%. As the table shows, one alternative set of weights could have been 45%, 30% and 25%. If these had been used instead – the underlined students [numbers 2, 4, 5 and 7] would have received the same grades as with traditional equal weighting. Thus – the alternate weights – would give a result of only about 8% improved grades [3 out of 39] – instead of the almost 18% [7 out of 39] with the weights actually used.

TABLE 5

FALL 2006: REAL ESTATE FINANCE

<table>
<thead>
<tr>
<th>STUDENT</th>
<th>TRADITIONAL WEIGHTING</th>
<th>DIFFERENTIAL WEIGHTING #1</th>
<th>DIFFERENTIAL WEIGHTING #2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>[1/3 EACH]</td>
<td>[45% + 35% + 20%]</td>
<td>[45% + 30% + 25%]</td>
</tr>
<tr>
<td>1</td>
<td>89.7 B</td>
<td>91.4 A</td>
<td>91.1 A</td>
</tr>
<tr>
<td>2</td>
<td>77.3 C</td>
<td>80.6 B</td>
<td>79.6 C</td>
</tr>
<tr>
<td>3</td>
<td>89.7 B</td>
<td>90.2 A</td>
<td>90.1 A</td>
</tr>
<tr>
<td>4</td>
<td>79.0 C</td>
<td>80.0 B</td>
<td>79.9 C</td>
</tr>
<tr>
<td>5</td>
<td>79.3 C</td>
<td>80.1 B</td>
<td>79.9 C</td>
</tr>
<tr>
<td>6</td>
<td>89.7 B</td>
<td>91.2 A</td>
<td>91.2 A</td>
</tr>
<tr>
<td>7</td>
<td>68.0 D</td>
<td>70.8 C</td>
<td>69.9 D</td>
</tr>
</tbody>
</table>

Conclusion

The authors present a case for moving from a traditional weighting scheme of applying equal weights to all exams administered within a course – to a possible differential weighted scheme – whereby a student’s best effort is weighted the highest and the worst score is weighted the least. This will allow students the opportunity to improve their overall course grade – by doing better in subsequent remaining exams. This should eliminate requests from students who are on the margin of the next higher letter grade, of what they can do as extra work to improve their grade. The move to differential weighting is also supported by the contention that the authors’ institution allows each faculty member to choose their own individual weights that they wish to apply to their performance and subsequent annual evaluation in Teaching, Research and Service.
Title: Improving Student Interaction and Course Comprehension in Upper Division Core Business Courses

Abstract:

This study presents a model to enhance student interaction and improve comprehensive student performance in upper division core business courses. Now in its second semester, this longitudinal investigation examined the key elements of student interaction and course comprehension, and deployed a model that improves both. Taking advantage of low-cost currently available technology this model demonstrates ways to significantly improve classroom interaction and discussion, and simultaneously lead to significantly higher-level achievement of course and curricular outcomes. Initial results indicate consistently significant gains of the experimental classes over the control classes in student achievement of comprehensive course objectives, higher exam scores, and significantly higher student satisfaction with course content.
Comparison of Course Delivery Methods

Roy Howsen and Steve Lile

Thomas Russell (1999) examined over 350 studies that dealt with type of course delivery and concluded in his book *The No Significant Difference Phenomenon* that “No matter how it is produced, how it is delivered, whether or not it is interactive, low-tech, or high-tech, students learn equally well with each technology and learn as well as their on campus, face-to-face counterparts”. During the past several years, numerous articles have investigated the relationship between two course delivery methods and student performance. The two major modes of delivery include: 1) traditional delivery method defined as face-to-face within a classroom setting, and 2) online delivery method often referred to as web-based course. Representative prior studies, i.e., Brown and Liedholm, 2002; McLaren, 2004; Coates et al, 2004; Sosin et al, 2004; McFarland and Hamilton, 2005-06; Stephenson et al, 2005; Anstine and Skidmore, 2005, have produced confounding empirical results with respect to the effect that traditional and online instruction methods have on student academic performance. Generally, the results suggest either that there is no significant difference between the two modes of delivery or that the traditional delivery is superior to online delivery with respect to student academic performance. The purposes of this article are 1) to note the methodological differences leading to confounding results in prior studies, and 2) to provide for a methodological framework free from problems in earlier studies so that one can discern the differential impact of traditional and online delivery on student academic performance.

Prior studies are deficient methodologically in one or more of the following:
1) examinations were generated by the instructor of record thereby introducing the possibility that the instructor “taught to the exam”, 2) different exams were administered to the traditional and online classes, 3) online students were e-mailed, faxed or mailed their exams, thereby raising the question of sole proprietorship; one author noted that students were on the honor system with respect to not contacting or receiving help from someone else, and that some online students were given the entire weekend to return their exams, 4) course material, i.e., problems, assignments, notes, varied for the online and traditional delivery methods, and 5) the instructor’s experience with respect to teaching traditional versus online courses is very seldom addressed.

Without a controlled environment, prior studies could not disentangle the effect of the type of delivery method from other effects embodied within this variable nor the subsequent effect on student achievement. For instance, if an online class is allowed the entire weekend to finish an examination versus a traditional class that is allowed one hour, one would have no way to separate the effect that online delivery has from the extended time period for said class in terms of student achievement. Furthermore, prior studies that administered different exams to the different classes introduce measurement error in the dependent variable. How this study dealt with these methodological issues and others is/are explained in the following paragraph.

In designing our study, we wanted to control for each of these aforementioned methodological issues. This was accomplished by establishing the following experimental design. First, the instructor who taught both the online and the face-to-face classes did not generate the examination questions, and did not see the test questions prior to the day the test was administered. Multiple-choice questions were selected by a
departmental colleague at random from the test bank that accompanies *MacroEconomics for Today*, 4th edition by Irvin Tucker. Second, an identical set of test questions was given to both the online and to the face-to-face classes. Third, online students were required to take each of the four tests on campus on the same day that the traditional class took the tests. Requiring online students to come to campus created a burden on them, but we felt that taking the same test on the same day under the same physical conditions and under the same time constraint was an important methodological feature of this experiment. Fourth, all students used the same textbook (Tucker’s *Macroeconomics for Today*), did the same homework problems, and posted comments to the same discussion board topics. The syllabus used in both classes pointed out that performance on the four tests was the major influence on grades, but students in both classes knew that homework and discussion board participation could affect final grades in borderline cases. The instructor posted lecture notes on Blackboard relating to each chapter covered in the Tucker textbook. These notes mirrored the lectures given in the face-to-face class. However, lectures were not recorded for later access by online students. In addition, students in the online class had no face-to-face opportunity to ask questions while reading the lecture notes. They could, however, e-mail or phone the instructor questions about the reading material, lecture notes, homework, or discussion board topics. Finally, unlike some previous studies, the instructor in our study had extensive previous experience teaching the macro-principles course using both face-to-face (34 years) and online (5 years) delivery. Thus, by ferreting out these methodological issues from the delivery method variable, one is left with the unbiased and direct effect of the two various delivery methods on student performance.
Data and Model

The model in this study is consistent with earlier studies in that a production function approach is employed. Support for this specification can be found in Coates et al (2004) and Brown and Liedholm (2002). Generally, student performance is dependent upon the type of class delivery method, student characteristics, and parental characteristics. The statistical model in this study is specifically indicated below:

\[ SA = (C, PE, G, R, A, CHE, CGPA, ACT, HW, FCD, MCD, BCM) \quad \text{Eq. 1} \]

within which SA measures the student’s average grade for the semester; C is equal to one if the student was in a web based class, zero otherwise; PE is equal to one if a student had a prior economics class, zero otherwise; G is equal to one if the student is male, zero otherwise; R is equal to one if student is white, zero otherwise, A is the student’s age in years; CHE is the cumulative hours earned by the student; CGPA is the cumulative grade point average of the student; HW is the number of hours worked per week by the student; FCD is equal to one if student’s father has a college degree, zero otherwise; MCD is equal to one if student’s mother has a college degree, zero otherwise; and BCM is equal to one if the student is majoring in the college of business, zero otherwise. Table 1 provides corresponding mean and standard deviation values for variables in equation 1. The signs on the coefficients for the PE, A, CHE, CGPA, ACT, FCD, MCD, and BCM variables are expected to be positive. The signs on the coefficients for the G, R, and HW variables are undetermined. Prior studies have shown these variables have mixed results with respect to their effect on student performance. The concern in this study is with the
delivery method variable, C. If the traditional delivery method results in increased student performance, the sign on the coefficient of this variable will be positive and statistically significant. Alternatively, if the web based delivery method results in increased student performance, the sign on the coefficient of the C variable will be negative and statistically significant.

Due to self selection sample bias, Coates et al (2004) has shown estimating equation 1 by OLS would lead to biased and inconsistent parameters. Barnow et al (1981) has developed a 2SLS procedure as a correction for this particular problem. The correction consists of estimating the selection equation in which the dependent variable is type of delivery method. Thus, the equation to be estimated is:

\[ C = (G, R, A, CHE, CGPA, ACT, HW, L, WC, YWC, M, I) \]  Eq. 2

The variables C, G, R, A, CGPA, ACT, and HW are as defined in the above paragraphs. L is a dummy variable equal to one if the student lives on campus, zero otherwise; WC is a dummy variable equal to one if the student of record knows someone who has taken a web course, zero otherwise; YWC is a dummy variable equal to one if the student of record has previously taken a web course, zero otherwise. M and I represent self reported students’ math and Internet abilities, respectively. This information was obtained by asking each student to rate their math and Internet abilities on a scale from 1 to 5, i.e. low to high. The parameters of equation 2 can be estimated by employing a probit procedure. Once equation 2 is estimated, one obtains the predicted probability values for the type of delivery method, variable C, and uses these predicted probability values as an instrument for the type of delivery method in equation 1. This procedure results in unbiased and consistent parameters estimates for equation 1.
The data employed in this study consists of students’ test scores and personal information. Data were collected from the registrar’s office and from a survey completed by each student. There were a total of 109 students involved in the study: 31 were in the online class and 78 were in the traditional class. Summary data is provided in Table 1.

(Table 1)

Means and Standard Deviations for Data

Estimation Results
A Visit to the Ancient, Opportunities for Mixed Economy in Africa: Can Reforms be Managed and/or Sustained?

Nacarius U. Ujah  
University of Central Arkansas  
Conway, AR 72034  
nujah@uca.edu  
(501) 450-5351

Abstract  
In our diverse global market, the continent Africa has always been viewed as a lesser competitor, but current socio-economic changes happening in most African countries proves that Africa is experiencing a boom, as such questions sprawls from different venues doubting the viability of the continent in the international market. Is Africa here to stay? How risky is it in doing business in the continent? Why should I consider Africa? These and many more are questions that prick the heart of some. The paper is organized into four section: first the eminent risk associated with Africa is discussed with emphasis on ethnicity and culture: an area pitched to have created many civil rivalries and conflict on the continent, second the economic performance of the continent within the past five years, third tribal conflict expressed as the major leading cause of rivalry in the continent: understanding its role would help businesses strategies in the continent, and fourth offers a framework to understand ethnicity and culture as well as the impact of their roles in most African countries.
Introduction

In the 60’s and 70’s the series ‘Super-Man’ aired through television stations in the United States. One of most popular slogans or jingles of that period was attributed to the series. The slogan was …it’s a bird, it’s a plane, it’s Super-man… While it may sound cliché, the economic growth undergoing in some African countries is most surprising, some African countries now have GDP growth rates that exceeds the growth rates comparable to developed societies. The World Bank expects regional growth in Africa to reach 9% a year within a decade, up from the 5.8% it should record in 2006 (Siddiqi, 2006). So Africa, with its complexities and intricacies searching for peace, security, and good governance is ‘somewhat’ emerging. Thus people are expressing varied forms of uncertainty with questions ranging from: will this growth continue, is the growth temporal, is the environment ready for diverse industries etc, after all, this is not the first time that the continent is expressing a boom, hence, what makes this boom different as compared to others.

It is these uncertainties around African business climate that has fostered the desire to write this paper. African businesses are continually expanding and the prospect of other industries are great, for instance, the growth in the area of mobile phones, “Africa is the first continent to have more mobile phones users than fixed-line subscribers” (Staff, 2006). Relative to the mining and agricultural business, the banking industry as well as software management are experiencing a great boom in African markets. Like most countries and continents, the saturation of such market with products would entail that one has a better understanding of the risk associated with and within each country as well as knowing how to leverage such risk. Doing business in resource-rich Africa, like any other developing regions, posses challenges and rewards… it is quite clear that only by growing business in general and creating a better investment climate for both large and small companies can we get the growth that is needed in Africa. Aid won’t do it (Siddiqi, 2006).

Though some African countries are experiencing economic growth, it is best that we do not elude the obvious; the desire for peace, security, adherence of personal property laws, and human rights are still long-term issues that most African countries lack the proper management and tools to reduce and/or alleviate these plagues that have dusted its chaffs on the continent. It is these plagues that most people are still pondering on, hence to some, Africa is bad for business. While these plagues are generally summed into one or two categories and discussed as the central problem faced in the continent, this paper handles these plagues as interwoven concepts and as such would bring to light one area “ethnic conflict” that has been clustered into the category of political instability. Our contestation is that, understanding the cultural identity of Africans as well as their business behaviors would help entrepreneurs and businesses to strategically enter and foster long-term relationships in countries as well as their placement in the continent. To some, the idea of investing and exporting from African countries is unthinkable, rather Africa is seen as a continent to dump and sell used-products ranging from clothing, cell-phones, watches etc, but current Africa is proposing a new idea that …risk exist, but understanding our affiliation would help you succeed in doing business in Africa, as one writer puts it, “Big risk, big profit” (Cockerill, 2000).

For the purpose of cogency, the paper is divided into four sections. Section one dabbed ‘risk’ highlights increasing risk of doing business in the continent. While risk
envelops political, economical, and cultural realms, other foreseeable risks that would be
centrated upon include perception of business environment and the issue of
homogeneity. Section two dabbed ‘economic performance’ will offer empirical analyses
of the continent. This section offer previous performance of some countries as well as the
overall performance of the continent. The purpose is to show that financial aid, grants,
assistantships while needed are not the force behind the economic growth rather most
developmental growth in the continent are tied to financed projects (approved agreement
through various institutions) and entrepreneurial drive, also the data that would be
highlighted shows performance over a five to six year period. Realizing the period is
short, the opinion offered in this paper is not of agreement: that the growth currently
experienced is here to stay, nor is it of disagreement: that the growth is just temporal,
rather the opinion is to shed light on issues about the continent. Section three dabbed
‘Tribal/Ethnic Conflict’ would try to explain most convoluting issue in the continent that
has led to several spill-over situations in surrounding countries. Terms are applied from
other social science and art fields to try to explain ethnic conflicts as well as used to show
correlation with political and economic instabilities of the societies. Section four dabbed
‘Management’ offers suggestive opinions to entrepreneurs and businesses that are
considering Africa for the next location, it also offers opinions as to what needs to be
improved for continual growth rate increase.

Risk

Generally the risk associated with doing business in Africa is known or assumed
to be known by most people. The risks that are assumed by people can be categorized
into political and economic risks, which include but not limited to: Unstable and covetous
political regimes which plagues most African countries. For example, unconstitutional
third terms for serving presidents has weakened country’s like Zambia, need to hang on
to power at all costs has created and increased instability and economic decline in the
countries Nigeria, Kenya, and others. Currency fluctuations – currencies of countries like
Nigeria, Zimbabwe, and Algeria have lost more than eighty-nine percent of their value.
Other risks associated with Africa include: Poor infrastructures, lack of skilled labor,
unreliable power supplies, lack of basic goods and services, high operational costs etc.
Thus, the views by some are that growth cannot be attained if there are no substantial
improvements to areas or growth if at all cannot be achieved in the Africa.

The slowdown in Africa’s growth has been attributed in part to the sluggish
recovery of the global economy, a decline in oil process, droughts and ongoing conflicts.
Lack of market access in global trade is another factor. However, the continent cannot
hide behind the external factors that are inhibiting its growth. The fact remains that most
countries are not doing enough to help themselves, further entrenching the overall
negative picture of Africa as a high-risk, problematic region in which to invest money
(Games, 2003). Not doing enough has been the general characteristic of African
countries, hence the question why? Africa has generally been known as a resource rich
continent, but the issue of allocation of government revenue among states, counties, and
districts has always stirred the civil unrest within the countries. With most unrest forging
one or two new groups that are associated with a tribe or people group/tongue, the unrest
within countries continually grows. Government of such societies in turn see such
opportunities to siphon the resources and governmental revenue to their own pocket,
hence leaving most countries completely drained and having a tarnished image in the global market.

The drainage coupled with lack of preservation of personal property and human rights has helped to elevate the idea that Africa is not the best place to invest nor do business. While Africa with all its intricacies is surmounted with problems, generally these problems are combed together as one, instead of examining one country to another or a region to another. Perhaps, the issue with homogeneity can be dealt with by most businesses if they have a better understanding of culture clashes and identity.

**Economic Performance**

In the recent age one has noticed a surge of entrepreneurial spirits (neither the computer email scams nor other investment scams pertaining to countries in Africa), capital investment in countries and deregulation of red-tapes to foster economic growth. Due to such increase, the economic performance barometer of African nations has increased. The overall economic growth in the developing world has averaged 4.8% a year since 2000, more than that of high-income economies, which averaged 2% a year (African Business, 2006). While the average for the developing nation is at 4.8%, some African countries have growth rates as high as 5.6% while some 3.7%, yet, these countries are performing better than the developed societies.

Nigeria is the best-performing stock market in the world this year. In dollar terms it’s ahead 30%. But the number of funds investing in the market is still limited. Africa is the last emerging market and when it goes right it goes right in a big way (Cockerill, 2000). As similar to the game theory, due to lack of imperative information, investors and businesses are somewhat suggestive in investing in Africa, rather their investments are in other parts of the world like Asia, Europe, Central and South America, yet, the emergence of Africa with investing opportunities are vast. The untapped resources of the societies --- labor force --- are huge. Like nations in Asia, Africa has an endowed labor force and with great technical know-how in areas like engineering, business analysis etc. As one professor in engineering in an American University once put it, “the best students that I have taught are from Africa.”

It has been noted that African countries have relied heavily on external aid, either from foreign governments, not-for profit, and private/profit organizations. Recently, it was announced that the G8 countries reduced the aid debt owed by Africa and other developing countries, generally tagged ‘debt forgiveness program.’ Though the aid was given to developing countries, the purpose or objective of such aid has never been fully achieved neither does the government of such countries receiving the aid account of the usage of such funds: it disappears into the thin air and cannot be traced. Yet we find that government officials in Africa and other developing countries continue to get rich and the citizens continues to get poor. Since such funds are not used for the actual purpose or for the drive of economic growth and developmental projects, they are siphoned into individual foreign accounts. Hence it is quite clear that foreign aid will only destroy African economies, just as it is stated, “…It is quite clear that only by growing business in general and creating a better investment climate for both large and small companies can we get the growth that is needed in Africa. Aid won’t do it, but what we really need to do is nurture business” (Siddiqi, 2006).
The real crisis of Africa is that after twenty-five years of brutal neo-liberal reform, and savage World Bank structural adjustments and IMF stabilization, African development has failed catastrophically (Watt, 2006). Generally, most international organizations have always applied different poverty alleviation theories on Africa: using Africa as its testing grounds, but Africa as a whole is bigger (because of different countries and nationalities) than applying the same principles or theory in every country. The same failures of these theories can also be translated as failures of companies while doing business in Africa: applying the same theories/strategy that succeeded in other countries or continents to Africa or African countries. Despite the encroachment of globalization, cultural identities, people affiliations are still paramount that to apply same strategies in diverse countries would lead to the demise of such unique and noble intentions. For the concept of aid cannot be applied to all countries but there are some that still need such, yet the over dependence of such countries should be greatly discouraged.

Most African countries have continually strived to improve their equity to investors and attractiveness to business, yet their performances are undermined due to perception and dynamics of the continent. In a recent survey conducted on the perception of students about the business climate in Africa and their interest of doing business there, seventy-three percent of the students felt that Africa and its countries are the least preferred place that they would engage in doing business, yet the other countries that were highlighted as countries/continents of preference before African countries and the continent all had market performances that were either of par or less than the performance of African countries as indicated in Figure 1, also the stock markets in African countries have seen tremendous increase as well as performance. Last year and the year before, Africa lagged behind all other regions in the pace of reform. This year it ranks third, behind only Eastern Europe and Central Asia and the OECD high-income countries (World Bank, 2007).

Figure 1
From the figure above, IPI represents Investors Protection Index: the higher the number the better. IPI was derived from three index namely, disclosure index, director liability index, and shareholder suits index. SBP represents Starting Business Index: the lower the number the better. SBP identifies the number of bureaucratic red-tape that business goes through prior to certification. LP represents License Procedure: the lower the number the better. LP indicates the number of registration process and paper-work an individual needs prior to acquiring a license in those countries.

**Tribal/Ethnic Conflict**

A complex area of humanity: ethnicity and tribal interaction. Perhaps the questions are: Why ethnicity? What role does it play? and Why is it important to understand when searching or locating investment opportunities in Africa? The sole answer is, cultural interaction and people affiliation are vital to the survival, marketability, and distribution in any society, and no other place in the world is this transparent and important as it is in Africa. Mesmerize in these facts: Africa, a continent with over seven hundred languages and more than a thousand eight hundred dialects, a continent mapped and shaped by foreigners that at present an individual’s uncle or cousins might hail from a neighboring country: not because of marriage, rather because of the process of mapping-out countries in the continent known as the “division of the African cakes by colonial masters.” No other continent is it transparent that the allocation of wealth among states and local government is so loose that most states complain of mismanagement and under-allocation of wealth. All, these intricacies lead to civil wars,
and most civil wars in the continent has had its root in ethnic/tribal conflict that has
decimated countless numbers of lives and the socio-economic event in various areas as
well as continuous spill-over effect to surrounding countries due to mapping.

Maps that show the world divided neatly into countries, each with its own
boundaries and territory, convey a misleading image of people’s political identities.
Whereas most of the people who live within the boundaries of France think of themselves
first and foremost as French, others – perhaps one-tenth of the population – think of
themselves first as Bretons, Corsicans, Maghrebins, or members of other nationalities
(Gurr and Harff, 1994). Unlike the notion of global or country citizenships, most Africans
generally identify themselves to their tribes rather than country or states, this in itself has
led to countless strife and wars. These strives build to either civil wars as was recently
heard of in Senegal, Sierra-Leone, Liberia, Kenya or genocide as Rwanda etc.

Like every other war, casualties are in numbers. Currently over 250,000 soldiers
are kids (less than 18 years old) in Africa, over 10,000,000 people have died on the
continent from different wars in different places. Put in a simplest form: all these
numbers do affect the size of the labor force in a country and also bolster opportunities
for other forms of non-legalize market structure to emerge in the continent: generally
tagged ‘black/illegal/extra-legal market. It is the exacerbation of ethnic strife within
Africa that leads to the creation of most illegal markets, and the culmination of less
accountability that exist within such societies, misallocation of funds and the looting of
such country’s wealth as well as destructions of infrastructures and socio-economic
values that are valued in billions of dollars that increase corruption and black markets.
Illegal market ranges from the extraction of funds by government officials into their
private accounts abroad to the destruction of government facilities as well as foreign
company’s sites that are perceived to be in conspiracy with the government for the
deterioration of assets (human and land) within such an area.

With such ethnic conflict, Africa is perceived to be unstable. Through the
instability, some companies have been able to find success mostly within
telecommunication and banking industries. Other surfaced industries include customer
service, franchising, and financial services.

Management

Realizing that corruption still allure s to people as put by Watts “The anti-
corruption chief Nuhu Ribadu, claimed that in 2003, 70 percent of the country’s (Nigeria)
oil wealth was stolen or wasted,” and such attitude saturates the African. One can most
dismiss the notion of investment as well as business expansion or distribution in Africa,
but the current development in some African countries are proven to be positive changes
that attract business ventures as well as educators/consultants opportunities into the
continent. The gain into market streams in Africa is great as the continent is one of the
least desired places now, but companies can capitalize on such to gain an edge over
competitors as well as be pacesetters of strategically formulating management and
business operations that are socially, economically viable within such countries
government as well as ethnicities: in turn great profit making ventures.

The summation of Africa’s problem are fail ed to diversify into labor-intensive
manufacturing, failed to harness windfalls of sustained growth, and high risks of internal
insecurity from rebellions and coups (Collier, 2006). Such as these mentioned can be
curtailed by understanding the inter-relation of ethnicity in such societies, as such companies and individuals interested in doing business in Africa can increase their productivity by understanding how ethnicities places pivotal role in economic progression in Africa. While some might view roles of ethnicity to be less important, some fail to forget that every company has its individual cultures and within such culture there are several layers of sub-cultures, thus, for merger and/or alliances between companies to succeed each company would have to understand the culture of the other. Likewise, ethnicity matters.

The economist Hernando De Soto insisted that the growth of capital movement in developed countries is based on the tenants of functioning state protection of property rights in a formal property system, he proposed that developing societies do not have such structures as such do not have formal systems, hence informal systems. The informal system is permeated with extra-legal market with continuous expansion, to reduce extra-legal market in developing countries would be to use the infrastructures that they (countries) have and not the replicate what developed societies did or are doing. As such, companies interested in doing business in Africa should realize that there understanding of country and surrounding neighbors as well as cultures are vital for their growth, hence opportunities for educators to act as consultants emerges from understanding the complexities and intricacies of African countries.

Ted Gurr offers an analysis framework to understand ethnic-political violence, the same framework coupled with some modification can also be applied to analysis potential impact of ethnic groups and what role they play in their societies and how much impact such groups would have on exerting their demands on business and corporate social and ethical responsibilities within the society. The framework includes:

- **Degree of Group Discrimination**: Depending on which location an organization chooses to site their operation, knowing the ethnic groups and national government discriminatory acts on such groups might prove to be useful strategic tools for such organization.
- **Strength of Group Identity**: While some groups have loyal citizens, some do not, an incline of knowledge of group’s strength is vital in knowing whom to transact and how to deal with such groups.
- **Degree of Ethnic Group Cohesion**: The loyalties of sub-groups within groups are vital. The more cohesive a group is, the easier to deal with, less cohesive groups might be problematic in business negotiations and community involvement by companies.
- **Type of Political Environment**: Understanding of these would help reduce corruption and bureaucratic process ahead for business operations.
- **Severity of Governmental Violence**: The more governmental dictatorship exerted on a particular group the more likely are there to be resilience in obstructing companies, as such formulation of strategy that helps interact with local and national government is vital for successful growth.
- **Extent of External Support**: Perception is key for favorable projects. While some groups have no international support, some do, good business image would therefore involve drafting of contract that are internationally and nationally acceptable.
International Status of Regime: While most countries in Africa do not have an acclaimed international status due to political instability, but, when the redirected and based on labor-intensive market, natural resources, and buying power of citizens – Africa is endowed with remarkable opportunities. Understanding of endowed product for export from such countries would also prove vital for business operations.

The seven pillars above offer opportunities to business and educators that choose to apply such in their inquiry into African market. The continent is ready for a great burst, an insight into ethnicity and their impact would only offer sustainable growth and marketing strategies for organizations.

References

Abstract:

Goal theorists support extrinsic reward systems and lament the fact that such rewards are not often present in the classroom. This paper presents a monetary reward system that has been used in both theory-based and practical application classes. The system has benefited both students and instructors by increasing attendance, enhancing learning, and fostering class camaraderie. Implementation steps, student and instructor benefits, and caveats are explored.
Ethical Awareness and Consumption Behavior: An Exploratory Comparison Between Environmental and Fair Trade Issues

Dawn H. Pearcy, Ph.D.
Assistant Professor, Marketing
Eastern Michigan University
469 Owen – College of Business
Ypsilanti, Michigan 48197
(734) 487-7564 – office
(734) 487-2378 – fax
Dawn.Pearcy@emich.edu

ABSTRACT
The purpose of this exploratory study is to examine consumers’ awareness of both environmental and Fair Trade issues and to examine their associated purchase behaviors. In addition, the study compares the relationship between ethical awareness and ethical purchase behavior across these two ethical issues in a sample of American consumers. The sample was composed of undergraduate marketing students enrolled at a large, Midwestern university. One-hundred five respondents completed a self-administered survey which assessed their awareness and purchase behaviors with respect to environmental and Fair Trade issues. Based on a typology developed in previous research, the survey participants were categorized based on their responses as either “caring and ethical”, “cynical and disinterested”, “confused and uncertain” or “oblivious”. When considering each ethical issue, the largest percentage of the respondents was categorized as “oblivious”. Fifty-nine percent of the respondents fell into this category with respect to Fair Trade issues, while 45% of the respondents were categorized in this group with respect to environmental issues. Further comparisons were then made between the categories of respondents on the two ethical issues and managerial implications were discussed.
Sexual Orientation: A Reality Check for Employers
Bryan Kennedy, Vickie Palzewicz, and Brenda Harper
Athens State University
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Abstract
The sexual orientation discrimination issue has become a “hot topic.” It is a topic that generally ignites into heated discussions from opposing sides that often ends with indeterminate results. It is a topic that legislators, employers, and justices have failed to completely define, provide protection, and ensure that a certain group of people is given their Constitutional right of life, liberty, and the pursuit of happiness. Therefore, this article will attempt to highlight and initiate change in organizations by outlining the legislation, benefits, cost, and effects of implementing a policy to eliminate sexual harassment.
Sexual Orientation: An Alarming Issue for Employers

Everyone would agree that sexual orientation is a very controversial issue in the United States. This controversy is the result of many differences in public opinion that range from religious and moral beliefs to people’s willingness to accept what is different. Just as significant, current legislation lacks inclusion of sexual orientation not to mention that recent court decisions have lacked definitiveness concerning sexual harassment as it relates to sexual orientation. Given the lack of legislation or indecision surrounding sexual orientation, most organizations have not yet embodied discrimination policies that would protect against such discrimination. On the other hand, other companies have envisioned the potential risk of not adding sexual orientation to their already developed policies. Nevertheless, every company should strive to include such policies in an effort to remain free from potential litigation, promote high-quality employee relationships, and encourage a work environment free from prejudices that will ultimately increase productivity and profits. Undertaking this task will not be an effortless journey for most companies. For that reason, this article will answer several key questions: 1.) What is the legal definition of employment discrimination and how does sexual orientation factor into this definition? 2.) What are the legal ramifications of not including sexual orientation in company policies? 3.) What other benefits would justify the time, money, and resources used to implement such policies?

Defining Sexual Orientation Discrimination

Broadly speaking, discrimination means that you treat some people better than others when there is not a reasonable difference between them and this treatment is
usually based upon biased opinions. Under constitutional law, this definition has been extended to include race, national origin, gender, religion, age, and disability. The courts have even defined what constitutes discrimination under each of these groups as well given definitive examples of discriminatory behavior, types, and conditions under which discrimination can occur. However, when describing or defining sexual orientation as part of law, the courts seem to be somewhat evasive. According to an article written by Melinda Bauer and Brian H. Kleiner (2001), there are several instances when the courts failed to clarify sexual orientation discrimination as it relates to employment (p. 29). For example in one case, the Supreme Court did not uphold an amendment that was designed to prohibit passing measures that would afford protection to homosexuals. Yet, in another case the court upheld an initiative that banned protection from sexual orientation discrimination. This is demonstrated even more so in the Dale v. BSA (3/2/98) case and Curran v. Mount Daiblo Council of the Boy Scouts (3/23/98) case. Both cases address the denial of Assistant Scoutmasters positions to homosexual individuals based upon each state’s law. As described earlier, the Supreme Court ruled favorably in one case and yet ruled the opposite in the other case. In another example, an Ohio court ruled that discrimination had occurred when a school system refused to renew a gay teacher’s contract (Bauer, M. & Kleiner, B., 2001).

In part, this confusion can be attributed to some considerable and distinctive differences from aspects of other types of discrimination such as same-sex harassment, sexual stereotyping, and equal opportunity harassment (Katz, M. & LaVan, H., 2004). Another equally important part of the equation can be attributed to
public opinion. Unlike in the past when public opinion was against homosexual rights, today a large number of people are voicing opinions of support. According to research covered in an article written by Bauer and Kleiner (2001), Alan Yang from the Department of Political Science at Columbia University found that support for equal rights for homosexuals has risen significantly since 1977 (p. 27). While still another aspect is that the government has already prohibited discrimination based on sexual orientation within the federal employment sector. This is significant in that in the past such administrative policies have been precursors to legislative decisions in the private sector (Bauer, M. & Kleiner, B., 2001; Katz, M. & LaVan, H., 2004).

**Legal Ramifications**

Since current legislation does not specifically prohibit discrimination based on sexual orientation and court decisions are somewhat confused in their rulings, many organizations choose to ignore the potential liability that exist concerning any kind of harassment directed toward homosexuals and bisexuals. This truth also carries over into many companies’ ability to recognize the potential and/or the existence of harassment in their organizations. In fact, in a survey reported by Katz and LaVan (2004), it was found that there were between 16 and 46% that were denied employment, terminated, experienced limited promotions, or received unequal benefits in homosexual community (p. 195-196). This is even further proven by a report cited by Nara Hirata and Brian Kleiner (2001) that states that a research committee of the Los Angeles Bar Association found that 68% of gay men and 58% of lesbians had either witnessed or experienced anti-gay discrimination (p. 92-93). Consequently, many individuals being harassed or witnessing harassment are
pursuing any legal means available in order to exercise the rights that all Americans
are guaranteed (Katz and LaVan, 2004).

There are several significant legal avenues for gays, homosexuals, and
bisexuals to resolve discrimination issues. One is the EEOC, which has recently
awarded considerable damages regarding such cases. For example in the Long Prairie
Packing Company suit, a voluntary settlement of $1.9 million was reached when a
group of male employees alleged sexual harassment. This was a major victory given
that it was the first class action suit involving men against men (Katz & LaVan,
2004).

Another aspect for employers to consider is the recently introduced bill for
equal protection called “ENDA”. ENDA is the acronym for the Employment Non-
Discrimination Act, which will make it illegal to discriminate against “real” or
“perceived” sexual orientation (Hirata, N. & Kleiner, B., 2001). This bill would also
provide consistent policies concerning equal protection to all employees regardless of
what city, county, or state that they reside in (Bauer & Kleiner, 2001). Disappointingly to many supporting this bill, it was defeated by a narrow margin of
49-50. However with this close of a margin, it is a strong likelihood that it will soon
pass (Bauer & Kleiner, 2001). Even more importantly, as stated by Bauer and Kleiner (2001), “It is important to a company’s financial health…to not ignore talented
workers because of apprehensions about their lifestyle” (p. 28).

A third facet for employers to consider is that employees who may feel that
they have been wronged based on their sexual orientation can and often do sue under
other legal theories since there is not a law explicitly prohibiting sexual orientation
discrimination. These can include but are not limited to intentional emotional distress, assault, battery, invasion of privacy, defamation of character, employment contract interference, violations of public policy, wrongful termination, and freedom of speech (Nolo.com, n.d.).

The last and the most essential component to consider is that homosexuals and bisexuals do prevail in certain situations in the courts especially if there is physical contact. This is equally true if the employee suing performs certain types of jobs i.e. clerical, manufacturing, and blue collar (Katz & LaVan, 2004). Consequently, an important issue for any employer to consider is that of a “hostile work environment.” A “hostile work environment” can be proven easily whether there is basis for sexual orientation or not. In the eyes of the law, all a victim must prove is that animosity occurred toward them regardless of their sexual orientation (Bauer & Kleiner, 2001). As a result, employers must strongly consider the substantial payments the courts are awarding to victims that claim “hostile work environment.” For example Mitsubishi and Ford have paid more than $44 million collectively in recent losses involving hostile work environments (Katz & LaVann, 2004). Another example is the landmark case of Oncale v. Sundowner Offshore Services in which the U.S. Supreme Court stated that sexual harassment could still exist even if both parties are of the same sex. Still yet other examples can found in such cases as Yearly v. Goodwill Industries (2/24/97), Belanger v. Norton Co. (5/21/98), and Willis v. Wal-Mart Stores (6/24/98) where “the courts have ruled that neither gender nor sexual orientation mattered when considering the merits of sexual harassment,” as stated by Bauer and Kleiner in an article written in 2001 for Equal Opportunity International (p. 29-30).
This is even further demonstrated in an analysis conducted by Katz and LaVan in 2004, which determined that there is a great deal more employees who are successful in their pursuit of equal treatment (p. 206).

**Benefits**

Many people, as well as many employers, argue that homosexuality is a chosen behavior; therefore homosexuals and bisexuals lack moral character (Bauer & Kleiner, 2001 & Hirata & Kleiner, 2001). Consequently, people choosing this type of lifestyle cannot possibly perform certain jobs or tasks (Hirata & Kleiner, 2001). It is because of this belief or attitude that many lesbians, gays, and bisexuals hide their true identity in order to protect themselves from harassment and prejudice. For example many heterosexuals feel free to discuss their weekends and their private lives at work, display pictures of family and partners on their desk and walls, and socialize with their work peers. These are situations that homosexuals refrain from doing out of fear. These fears induce stress and affect the individual’s morale which results in lost productivity, increased absenteeism, increased turnover, and lower overall organizational effectiveness (Hirata & Kleiner, 2001). Because of this, companies like United Airlines, Chrysler, and Disney have added sexual orientation coverage to their company policies as well as other benefits for domestic partners to include insurance, bereavement, and travel benefits (V. Palzewicz, personal communication, August 16, 2006 & Hirata & Kleiner, 2001).

Equally arguable is that recent trends suggest that the most successful companies are either implementing or have already implemented policies to alleviate harassment and afford homosexuals the same benefits as their heterosexual
employees. In fact, the majority of Fortune 500, companies have included such policies since 1996 not to mention that President Bush appointed a gay individual (Israel Harnandez) in the position of Assistant Secretary at the Department of Commerce (Hirata & Kleiner, 2001; Wildman, S., 2005). In addition, 77 of the Fortune 100 and 41 of the Fortune 50 companies have also put into practice policies that protect all lifestyles. These forward thinking companies have based these changes on several key reasons: 1.) To have and maintain a competitive advantage for the most qualified individuals. 2.) Increase productivity. 3.) Many investors and consumers, especially homosexual/bisexual consumers and investors, are aware of fair policies and are more likely to buy products from companies that embrace those same values. 4.) To show the company values diversity. 5.) To maintain a competitive advantage in retention. 6.) “It is the right thing to do” (Hirata & Kleiner, 2001).

**Summary and Conclusion**

The implications are clear for organizations to take special care that all individuals are protected from unwanted, unwelcome, and uninvited harassment. This especially true given the uncertainty of court decisions, the cost of litigation, and the direction that legislation will likely follow. Even more so, the number of companies implementing policies to correct this type of discrimination is increasing and will likely continue to increase. Especially since more and more companies realize that by increasing employee satisfaction, they are increasing efficiency, effectiveness, productivity, and profits (Katz & LaVan, 2004).

To say the least, the sexual orientation discrimination issue is a very complex one for legislation, companies, individuals, and society as a whole. This complexity is
complicated by the many beliefs, biases, and fears that all people struggle with daily regarding one issue or another. Even more so, sexual orientation discrimination is nothing less than a “political coming-of-age” kind of story (Wildman, 2005). However, it still boils down to a very basic concept that is afforded every citizen within the United States: “Equal Rights and Protection”.
References


Port, Starboard, or Stern? Giving Directions to a Plaintiff Regarding Personal Damage Assessment in Alabama, Mississippi, and Tennessee

Parker Cashdollar, Professor of Economics
Robert L. Hearn, Associate Professor of Business Law
Paula Hearn Moore, Assistant Professor of Accounting and Business Law

Accounting, Economics, Finance and International Business Department
College of Business and Public Affairs
University of Tennessee at Martin
Martin, Tennessee 38238
(731) 881-1202 office phone number for Paula Hearn Moore
(731) 881-7241 department fax number
pmoore@utm.edu email address for Paula Hearn Moore

Abstract

The calculation of a personal injury damage award varies widely among states. This study examines the variations in recovery for an individual injured in Alabama, Mississippi, or Tennessee. Because the borders of these three states meet in the middle of one body of water, an individual should realize the statutory and judicial consequences of an injury in each state. Although a plaintiff is not likely to be able to jump into “friendly” waters or consciously to choose the state in which his accident would occur, this study should be of interest to attorneys and forensic economists practicing in one or more of these states because of the vast differences that arise in an assortment of issues.
Introduction

Assessing the level of damages to award in a personal injury or wrongful death suit is dependent on the law of the state in which the injury or death occurred. Extreme differences exist among the states as to who may claim recovery for an injury or death and how said damages are calculated. An individual who enjoys recreational water activities and suffers an injury in the Tennessee River should realize that the level of compensation he might receive from his defendant will fluctuate greatly depending on the jurisdiction that governs his case.

Waterways as State Borders

Rivers or waterways, including the Tennessee River, are popular and natural boundaries among adjacent states. In the 1700s and 1800s when states were being formed, the settlers had a normal predisposition to use waterways as dividing lines. At least fourteen navigable rivers currently serve (at least partially) as borders between two or more states. A boundary line should be as narrow as possible. The wider the border, the more likely an accident will have room to occur on the border. Although waterways are natural borders, they are normally quite wide and occasionally become the site of an accident. Litigation over these accidents must first address Who has jurisdiction?@ In the 1950s, the answer to this issue was somewhat clarified. Congress passed the Merchant Seaman Protection and Relief Act, commonly referred to as the Jones Act,@ making federal law applicable in accidents occurring on navigable waters within the United States’ boundaries (46 USCA Appx. ’688). Since this act generally applies to accidents involving commercial vessels and the employees thereon, and since the research presented herein focuses on private vessels, Jones Act cases are not relevant in this study.

Tennessee River

The common boundary between Alabama, Mississippi, and Tennessee falls in an area of the Tennessee River known as Pickwick Lake. See Figure 1. All three states enjoy the benefits of having water recreation activities available for their residents and for visitors to the area. A worrisome problem could arise in the event an accident occurred on the very point at which these three states come together. A guest passenger on a privately owned watercraft who is faced with imminent injury or death could have an opportunity to determine the state in which his injury or death will occur. The financial result to a plaintiff could depend on the direction he falls, jumps, or lands. Should he land in water controlled by an unfavorable jurisdiction, his recovery could be severely hampered.

Another inherent problem involving waterways is verifying the exact point at which an accident happens. The wind speed, currents, and the presence or movement of other water vessels alter the position of a boat on the water. The period of time from the
accident until the rescue of injured persons could result in a plaintiff’s drifting from one state=s water into another. Landmarks and road signs as points of reference are not as easily used on the open water as they are on dry land.

**FIGURE 1**

![Map of Pickwick Lake and surrounding areas]

**Statutes of Limitation**

A plaintiff injured at Pickwick Lake should quickly determine the state in which he will pursue his complaint. If he is at least eighteen years old and of sound mind (i.e., having no mental disabilities), the time period in which he (or his family or estate) has to file his claim differs depending on the state in which his injuries occur.

(a) Under **Alabama** Code ' 6-2-38, a wrongful death action must be commenced within two (2) years from the death.

(b) Under **Mississippi** Code ' 15-1-49, both wrongful death and personal injury actions must be commenced within three (3) years from the death or injury. (Prior to July 1, 1989, the time limit was six years.)

(c) Under **Tennessee** Code ' 20-5-106 and 28-3-104, wrongful death and personal injury actions must be commenced within one (1) year from the death or injury.

An interesting result occurred in *McDaniel v. Mulvihill* regarding which state=s statute of limitations applies. In that 1953 Tennessee case, McDaniel was struck and killed by an automobile driven by Mulvihill. Both parties were residents of Mississippi where the accident occurred, but Mulvihill later moved to Tennessee. Over four years after the accident, a suit was filed against Mulvihill in the Tennessee court. Under Mississippi law at the time of death, this filing would have been within the allowable six
years from the date of the accident; however, the Tennessee trial court dismissed the case because it was not timely filed under Tennessee law. On appeal, the Tennessee Supreme Court ruled that although Mississippi law would govern the right of the plaintiff to recover damages, the Tennessee statute of limitations would control the time period in which to bring the action, and the trial court=s dismissal of the case was upheld. *McDaniel v. Mulvihill*, 263 S.W.2d 759 (1953). If the plaintiff is a minor, the statute of limitations will not begin to run on a lawsuit for damages for personal injury until the plaintiff reaches the age of majority. The statute of limitations for wrongful death of a minor would be the same as for the wrongful death of an adult.

**Allowable Damages under State Statutes**

As with other issues, statutes dealing with wrongful death damages are different in each of the three states examined. A summary of each state=s relevant statutes follows.

(a) **Alabama**=s wrongful death statute (Code '6-5-410) provides for such damages as the jury may assess.@ Alabama approaches the issue of wrongful death damages differently from Mississippi and Tennessee. Generally, only the personal representative of the decedent=s estate may commence a lawsuit to recover wrongful death damages, and Alabama regulates that all damages received in a wrongful death suit be punitive rather than compensatory. Case law history has reaffirmed that approach. In an action under this section, “pecuniary loss or mental suffering are not to be considered.@ *Alabama Power Co. v. Talmadge*, 93 So. 548 (1921). A[The] principle that controls the amount of recovery is that the damage is punitive in nature and must not be compensatory.@ *Day v. Downey*, 56 So.2d 656 (1952). AThe remedy under the Act is punitive only; the jury=s monetary award is not calculated to reflect ordinary compensable items such as loss of support, funeral expenses, or perhaps loss of society. The punishment by way of damages is intended not only to punish the wrongdoer, but as a deterrent to others similarly minded.@ *Gilbert v. St. Louis-San Francisco R.R.*, 514 F.2d 1277 (5th Cir. 1975). A[Wrongful death statute allows the recovery of punitive damages only.@ *Merrell v. Alabama Power Co.*, 382 So.2d 494 (1980). The Alabama Supreme Court stated AAlabama=s law of wrongful death is unique in the United StatesY.A[King v. National Spa & Pool Institute*, 607 So.2d 1241 (1992). Considering this statement and the cases cited above, it should be clear that the logic employed in Alabama does not follow the same patterns found in other states (although the Alabama logic may in the final analysis be equally valid in its application).

A[Hedonic damages are not mentioned in any Alabama statute, nor are they mentioned in any Alabama case. Considering the way in which wrongful death damages are defined (as discussed above), it seems highly likely such damages would not be awarded in Alabama.

Although Alabama does not provide for awarding compensatory damages to the personal representative of the deceased, it does allow a spouse to recover certain compensatory damages occurring between the time of injury and the resulting death. AThe husband may maintain an action for compensatory damages Y such as the loss of her services or society,y etc.@ *Graham v. Central of Georgia Ry. Co.*, 117 So. 286 (1928). This approach recognizes a remedy similar to Aloss of consortium,b but such
damages could be awarded only for the time between the injury and the death resulting from the injury. Damages for loss of services to society are not awarded following death.

(b) Mississippi's wrongful death statute (Code '11-7-13) clearly provides for compensatory damages as the primary focus (although punitive damages are permitted in situations involving gross negligence or intentional misconduct.). Mississippi courts have established that elements of damage include loss of love, society, companionship, loss of household services, loss of gifts, gratuities, remembrances, support, present net cash value for decedent's life expectancy, loss of companionship and society of decedent, and pain and suffering of decedent between time of injury and death. In a very recent line of cases, the Mississippi Supreme Court authorized the recovery of hedonic damages (i.e., loss of the enjoyment of life) even in cases of instantaneous death. *Dorrough v. Wilkes*, 817 So. 2d 567 (2002), and *Choctaw Maid Farms, Inc. v. Hailey*, 822 So. 2d 911 (2002). The Mississippi Legislature has resisted the Court's movement. By statute (Code '11-1-69) effective January 1, 2003, hedonic damages are limited in personal injury cases and are prohibited in wrongful death cases. The state legislature also specifically prohibits the use of expert testimony to quantify these types of damages. By making such a prohibition on hedonic damages, the legislature clearly states the purpose of said damages is to compensate an injured party who realizes his injuries will result in a change of lifestyle and living conditions.

Although the Mississippi statute clearly provides for loss of consortium type damages in a wrongful death case, the issue of such damages being awarded in a personal injury case is less clear. In a 1995 case, the Mississippi Supreme Court stated as the primary issues,Whether Mississippi recognizes a cause of action permitting a child to recover for loss of parental consortium when the parent is injured by a tortfeasor's negligence leaving the parent in a permanently and totally disabled condition, and if so, whether the child=s cause of action includes damages for the net cash value of the parent=s life expectancy?' *Thompson v. Love*, 661 So. 2d. 1131 (1995). The Court declined to recognize such a cause of action, stating that this involved a public and social policy decision: *this court finds that the legislature is in the best position to weigh the interests involved.* *Id.*

(c) Tennessee=s wrongful death statute (Code '20-5-106), like the Mississippi statute, clearly provides for compensatory damages as the primary focus with punitive damages being allowed in situations involving gross negligence or intentional misconduct. The recovery...is not based on whether he left a widow and children...but is based on the pecuniary value of the life of the man himself. *Memphis St. Ry. v. Cooper*, 313 S.W.2d 444 (1958). Recovery is based upon the pecuniary value of the life of the deceased to be determined upon a consideration of the deceased=s expectancy of life, age, condition of health and strength, capacity for labor and for earning money through skill in any art, trade, profession, and occupation or business. *Thrailkill v. Patterson*, 879 S.W.2d 836 (1994). Consortium type damages may be considered when calculating the pecuniary value of a deceased=s life. Consortium losses are not limited to spousal claims but also necessarily encompass a child=s loss, whether minor or adult. *Jordon v. Baptist Three Rivers Hospital*, 984 S.W.2d 593 (1999). Hedonic damages are not allowed in Tennessee. *Spencer v. A-I Crane Service, Inc.*, 880 S.W.2d 983 (1994).
Income Taxes as a Deduction from a Damage Award

A sizeable expense for almost every American family and a sizeable factor in the net damage award realized in wrongful death cases is income tax. A brief discussion follows on various tax issues that may exist in each state.

(a) **Alabama** law requires all damage awards in a wrongful death suit to be considered as punitive in nature, as discussed above. At least one significant federal tax problem results with Alabama law treating all damages as punitive. The Internal Revenue Code treats punitive damages differently for federal income tax purposes than it treats compensatory damages. IRC '104(a)(2) reads as follows:

> A Gross income does not include the amount of any damages (other than punitive damages) received (whether by suit or agreement and whether as lump sum or as periodic payments) on account of personal physical injuries or physical sickness. @ Emphasis added.

The United States Supreme Court affirmed that punitive damages are subject to federal income tax. *Gilvie v. U.S.*, 519 U.S. 79 (1996). Although some states treat the issue of taxes differently in calculating damage awards, the fact that wrongful death damages in Alabama would automatically be subject to federal income tax might discourage an injured passenger on our ill-fated ship from jumping into Alabama waters. Considering Alabama=s rule that all wrongful death damages are punitive and thus taxable, a financially astute plaintiff would want to request an instruction to the jury that all damages would be subject to income taxes in order to bolster the jury’s sympathy and its award for damages; however, no mention of such a request can be found.

(b) **Mississippi** law seems to have the only clearly established position on (i) how the jury should be instructed on the matter of taxability or non-taxability of damages, and (ii) the issue of whether taxes should be deducted from an award of damages.

As to jury instructions, in the case of *Seaboard Systems Railroad v. Cantrell*, the defendant in a personal injury case requested the trial judge to instruct the jury:

> The court instructs the jury that if you find, from a preponderance of the evidence, that the plaintiff is entitled to an award in this case, the award will not be subject to any income taxes, and you should not consider such taxes in fixing the amount of your award. @ *Seaboard Systems Railroad v. Cantrell*, 502 So.2d 479 (1987).

The trial judge refused to give this instruction. On appeal, the state’s Supreme Court held it was error for the trial judge to refuse the requested instruction. The Supreme Court said, To put the matter simply, giving the instruction can do no harm, and it can certainly help by preventing the jury from inflating the award and thus overcompensating the plaintiff on the basis of an erroneous assumption that the judgment will be taxable. @ Id.
When determining the deductibility of taxes from the damage award, a Fifth Circuit Court of Appeals federal case which arose from Mississippi, ruled that taxes should be deducted from the damages awarded for a wrongful death. *Smith v. Industrial Constructors, Inc.*, 783 F.2d 1249 (1986). The court commented, *The portion of the decedent=s earnings that would have gone toward income taxes could not have been contributed to the beneficiaries if the decedent had lived. Like the decedent=s estimated future living expenses, the failure to subtract future income taxes from the award would place the beneficiaries in a better position because of the decedent=s death.*

The case contains a good analysis of the positive and negative arguments for deducting taxes with citations to cases from many jurisdictions. To the extent the award would be subject to tax, Mississippi law requires the forensic economist to deduct taxes in his calculation.

Regarding state income taxes, Mississippi Code '27-7-15(4)(e) specifically excludes damages received for personal injuries from *gross income* thus making them non-taxable for state income tax purposes.

(c) **Tennessee** does not allow the defendant in a personal injury or death case a jury instruction regarding the non-taxability of the plaintiff=s recovery. The Court adopted the rationale used by the majority view:

A... to deduct the anticipated tax savings from the recovery would nullify the tax benefit conferred by Congress in expressly exempting damages for personal injuries and would unduly complicate the trial of personal injury cases ... to do so would inject into the already difficult and complicated computation of such damages factors which change from time to time, such as the rate of taxation and the number of plaintiff=s exemptions, and allow juries to indulge in speculation and conjecture in arriving at the amount to be deducted.@ *Dixie Feed and Seed Company v. Byrd*, 376 S.W.2d 745 (1963).

Tennessee does not impose on its residents a state income tax on earned income; therefore, a damage award should not be reduced by such a calculation.

**Limits on Damage Amounts**

The level of a large damage award may vary in each state depending upon that state=s statutory maximum set by the legislature thereof.

(a) **Alabama** Code '6-11-21(j) indicates there is no maximum amount on damages for wrongful death or intentional infliction of physical injury.

(b) **Mississippi** Code '11-1-65, effective September 1, 2004, established maximum amounts on punitive damages using a formula which considers the defendant=s net worth and the amount of compensatory damage awarded.

(c) **Tennessee** does not currently impose any maximum amounts on damages.

**Calculating Damages and Deductions for APersonal Consumption@ or APersonal Maintenance@ in Wrongful Death Cases.**

If an injury results in death, the estate or survivors will pursue financial recovery for the loss of life suffered. Again, the states differ on their approaches to this issue.
(a) **Alabama** does not provide for deduction of either personal consumption or personal maintenance. This approach is logical in view of the fact that all wrongful death damages are punitive (discussed above) and not compensatory. Since the object is not to compensate the heirs or beneficiaries for their pecuniary loss, no reason exists to deduct any amount for personal consumption or personal maintenance.

(b) **Mississippi** deducts an amount for personal consumption in arriving at the total award to be made to the decedent’s heirs or beneficiaries. Under this method, the earning capacity for the decedent is calculated using his life expectancy and past work history among other factors. A leading case in Mississippi using this method is *Greyhound Lines v. Sutton*, 765 So. 2d 1269 (2000). This case addresses both the question of how damages for lost earnings are to be calculated for minor children and the rule for how personal consumption is to be factored into the final damage award.

A minor child is particularly susceptible to injuries on a waterway. If a child’s death becomes the basis for a lawsuit, a jury may have difficulty deriving that child’s earning capacity. Normally, the calculation of an individual’s earning capacity involves an analysis of his educational level, ambition, life expectancy, physical health, and other factors. Mississippi’s approach to such a dilemma involving children was made clear in *Greyhound*. The case arose out of a collision between a bus and a passenger car. Three occupants of the car were children, the driver was an adult, and all four were killed in the collision. On the issue of calculating the children’s lost future earnings, the Supreme Court rejected the idea that the income for children should be based on some sort of income for persons in the community in which they lived. Instead the Court stated:

> **We hold in cases brought for the wrongful death of a child where there is no past income upon which to base a calculation of projected future income, there is a rebuttable presumption that the deceased child’s income would have been the equivalent of the national average as set forth by the United States Department of Labor. This presumption will give both parties in civil actions a reasonable benchmark to follow in assessing damages. Either party may rebut the presumption by presenting relevant credible evidence to the finder of fact. Such evidence might include, but is certainly not limited to, testimony regarding the child’s age, life expectancy, precocity, mental and physical health, intellectual development, and relevant circumstances.**

In connection with the personal consumption deduction issue, an expert witness for the minor plaintiff used a thirty percent consumption rate based on a presumption the plaintiff would either marry and have children or have a partner to share common expenses. The witness used this (lower) consumption rate because of an individual’s tendency to consume less on himself if he is married and/or has a child or children. In other words, the presumption of hypothetical spouses and children would lower the consumption rate and thus increase the amount of net lost earnings. The defendants strongly objected to using hypothetical future spouses and children. The state Supreme Court said, **We hold that it was manifest error for the chancellor to use a consumption rate which is based on a hypothetical prospect that the children would eventually have a spouse and have children of their own, both of which require support.**

In making
this decision, the Court did not abolish the personal consumption deduction but rejected
the approach used by the witness in this case. The Court stated, “Today we hold that the
consumption rate is another factor which may be argued by the parties to the finder of
fact in support of increasing or decreasing the presumption that the deceased child=s
income should have been equivalent to the national average. The credibility and weight
of such testimony are to be determined by the finder of fact.” *Id.*

(c) Tennessee courts support the use of a personal maintenance deduction (as opposed to a personal consumption deduction) in determining the award for survivors in a wrongful death case. In the *Wallace* case referenced below, the Supreme Court in Tennessee used the following procedure to estimate damages:

*In estimating damages, the deduction of the decedent=s probable personal living expenses, had he lived, should extend to those personal expenses which, under the standard of living followed by him, would have been reasonably necessary for him to incur in order to keep himself in such a condition of health and well-being that he could maintain his capacity to enjoy life=s activities, including the capacity to earn money.* *Wallace v. Couch,* 642 S.W.2d 141 (1982).

The above language requires the plaintiff to introduce evidence of the decedent=s prior income and individual expenses in order to arrive at the net contribution the decedent would have been able to make to his survivors. The *survivors* past or present standard of living is irrelevant. In *Phelps v. Magnavox*, the Tennessee Court of Appeals specifically prohibited evidence that the widow of the decedent in a wrongful death action had remarried prior to the beginning of the trial. The court stated that “her remarriage has no bearing on her husband=s death or the responsibility therefor.” *Phelps v. Magnavox,* 497 S.W.2d 898 (1972).

Tennessee=s position on calculating the lost earning capacity of a child is not as clearly outlined as the one in Mississippi. In *Wallace*, the Tennessee Supreme Court allowed the reduction in the damage award for personal maintenance expenses and stated that those expenses should be based on the *decedent=s current standard of living*. Although the *Wallace* case does not address the death of a child, the use of a decedent=s current living standard would lead to the conclusion that the earning capacity should also be based on a child=s current standard of living.

In states using the same approach as Mississippi and Tennessee (i.e., non-punitive approach to awarding damages), the initial calculation in damage awards is similar to the calculation in states recognizing full value of life in that the gross amount of loss must be determined. A second step is then taken in deducting the personal consumption deduction in Mississippi and taking the personal maintenance deduction in Tennessee. Tennessee courts laid the burden on the defendant in a wrongful death action to present proof as to the decedent=s probable living expenses in order to receive a deduction for said amount. *Hutton v. City of Savannah,* 968 S.W.2d 808 (1997).

**Loss of Parental Consortium**

When the victim of a wrongful death is a spouse, the surviving spouse is entitled to compensation for the loss of companionship and guidance in addition to compensation
for the decedent’s lost earning capacity. The issue of compensation to a surviving child (or children) in the event of the wrongful death of a parent is not as well-settled.

(a) **Alabama** courts have not addressed the issue of parental consortium with any clarity. The legislative acts and the case law on consortium in that state have revolved around the death of a spouse. Other states have been more creative and permissive in the types of claims allowed to be filed, heard, and compensated.

(b) **Mississippi** courts approach loss of parental consortium by refusing to rule on the topic without its legislature first defining the law. In a 1995 case, the Mississippi Supreme Court plainly stated as follows:

> While we do not hold that the cause of action is without merit, we do hold that the creation of such a cause of action could best be handled by the legislature's ability to enact the legislation if it so chooses. Therefore, constrained by the lack of statutory or case precedent in our jurisdiction and our reluctance to judicially create the cause of action, we defer the creation of the cause of action to the legislature. *Thompson v. Love*, 661 So. 2d 1131 (Miss 1995).

The state legislature acted to clarify the parties entitled to recover damages due to the wrongful death of an individual. Mississippi Code '11-7-13 establishes the right to recover and the priority of survivors who are to recover. That statute gives parents the right to recover only when the deceased child is not survived by a spouse or descendants.

(c) **Tennessee** offers the greatest possibility for recovery for loss of consortium. Surviving spouses are given a right to pursue their claim by legislation on the matter. T.C.A. '25-1-106. Children seeking recovery for loss of parental consortium must use case law as the basis of their claim. Loss of consortium may be considered when calculating the pecuniary value of a deceased’s life, and such losses are “not limited to spousal claims but also necessarily encompass a child’s loss, whether minor or adult." *Jordon v. Baptist Three Rivers Hospital*, 984 S.W.2d 593 (1999). This case represents a significant increase in the importance of the loss of parental consortium in Tennessee.

A 2001 Tennessee Court of Appeals case addressed the issue of loss of consortium for the parents of a deceased five-year-old child. The Court ruled we hold that parents may recover consortium-type damages for the wrongful death of their child. *Thurmon v. Sellers* 62 S.W.3d 145. With regard to how damages are calculated for parents, the Court stated:

> In determining the amount of consortium damages, courts must also consider the benefits the child bestowed on the family, such as companionship, comfort, society, attention, cooperation, affection, care and love. Because it is impossible to generalize on the extent to which family members enjoy each other’s companionship and society, the measurement of a particular parent’s loss of a particular child’s consortium must be decided on a case by case basis. It must be noted, however that recovery of such losses are restricted to pecuniary losses, that is the actual monetary value of the life of the child. Thus, parents cannot recover for the sorrow and anguish endured as a result of the child’s death. *Id.*
By this ruling, the court acknowledges the endless amount of damage claims that could result from one accident.

Summary

The above review of law and practice in the three states does not reveal the ideal state in which to sue. Although quantitative measures for a given accident and a given plaintiff are not presented, some general guidelines can be derived. The plaintiff’s circumstances would determine the most favorable state for wrongful death damages. In a case involving egregious actions by the defendant, Alabama is the most favorable state for the plaintiff. Since the award in Alabama is punitive, greater variation is likely in the award for a given plaintiff depending on the circumstances of the accident, including the degree of fault of the defendant, rather than on the earnings and other attributes of the plaintiff. In a case of negligence which injures a moderate to low income plaintiff, Mississippi may prove to be the most profitable state due to its national average approach to establishing earning capacity. For a higher income plaintiff, Tennessee may have more profitable waters.

Deductions or offsets for taxes and consumption/maintenance influence the net award. In Alabama the entire award in a death case, while not likely reduced for consumption, would be taxable under federal law since it is considered a punitive award. Since the award for lost earning capacity in Mississippi is reduced by likely federal and state income taxes, as well as for likely consumption, the net award for a given adult is likely to be less in Mississippi than in Tennessee. Also, a comparable loss of earning capacity in Tennessee would generally not be reduced for likely taxes (federal or state, noting that Tennessee has no tax on earned income). Also, the deduction in Tennessee for maintenance only, rather than genuine consumption as in Mississippi, may result in a modestly lower deduction (and higher net award) in Tennessee. Therefore, Tennessee would rank ahead of Mississippi with respect to net lost earning capacity for a given adult death case because of the certainty of the tax offset in Mississippi and the genuine consumption deduction, versus the maintenance only deduction in Tennessee.

The current financial circumstances of a child may be a major factor regarding the most favorable state. A poor child whose parents have low education and earning levels, should probably jump to Mississippi, if Alabama is not a choice, rather than jump to Tennessee. The rebuttable presumption of national average income would likely enhance the award relative to Tennessee which has no such presumption. In Tennessee the lost earnings of a very young child or infant will likely be based on the earnings of the parents or similarly situated adults regarding actual earnings and education levels, which would likely be below the national average. In Tennessee the parents’ low earnings would likely be used in estimating the loss, taxes would not likely be deducted, maintenance only would be deducted, but consortium would likely be included. Unless a substantial consortium award is likely in Tennessee, the child of a poor family should go for Mississippi if Alabama is not available.
The child of affluent and educated parents should first opt for Alabama, and as a second choice, Tennessee. Mississippi should be avoided because the national average earning capacity, although rebuttable, could be much lower than the child’s earning capacity if based on the parents’ attributes. Also, the lost earnings are not generally taxable in Tennessee and the maintenance deduction in Tennessee would likely be less than the consumption deduction in Mississippi.

In conclusion, considerable variation exists among awards in apparently similar cases in the very same court or jurisdiction. This variation is a result of the effectiveness of attorneys on both sides, the jury composition, the testimony of the witnesses, and other factors. In the absence of good data on these variables, a review of the law and practice in each state as presented here is the best guide to likely results.

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The Myers-Briggs Type Indicator® (MBTI®) is a personality instrument with numerous applications. The focus of this article is on the effects of each personality preference in the workplace and how insight into our own psychological preferences and the preferences of others may increase both our effectiveness and satisfaction in the workplace.

R. Bryan Kennedy, Athens State University
Sam Campbell, Athens State University
Michael Essary, Athens State University
Brenda Harper, Athens State University
Susan Herring, Athens State University
Linda Shonesy, Athens State University
Gary Valcana, Athens State University
William W. Whitley, Athens State University

Athens State University
300 North Beaty Street
Athens, AL 35611
Address questions or comments to:
Bryan Kennedy
(256) 233-8259
bkenndy@vallnet.com

ABSTRACT

This paper presents statistical data that supports earlier research indicating that the employment interview continues to be utilized by most organizations in the United States. The research data establishes that panel interviews are used far less frequently than one-person interviews. Suggestions are made concerning ways to strengthen both panel and one-person interviews.
ABSTRACT

The purpose of this article is to report on a study that looked at work-family conflicts, technology issues, and travel requirements. The purpose of the study was two-fold: first, to compare employees’ perceptions toward work-family conflict stress by whether or not they had to travel as part of their job; and second, to compare employees’ perceptions of the impact of information technology and security issues on their lives by whether or not they had to travel as part of their job. Data was collected via the snowball sampling process, and resulted in 150 usable questionnaires. Significant differences by travel requirements were identified in terms of length of employment, use of technology at home for job-related work, and attitudes toward work-family conflict issues.
WORK-FAMILY CONFLICT & TECHNOLOGY ISSUES ON SALES CAREERS: DIFFERENCES BY TRAVEL REQUIREMENTS

INTRODUCTION

Based on the literature review and earlier exploratory studies by the authors a survey was developed and disseminated. The results of this study show that work-family conflicts, technology issues and travel requirements were correlated. In the work world today, employees and employers have many stresses placed on them. It is clear that juggling work and family affects many aspects related to job satisfaction and performance. Con founding work-family conflicts is technology stress that has been viewed as negatively or positively regarding the impact it has on the lives of employees. In recent years, employers have become alarmed about maintaining data and equipment security, particularly in light of the ease in which the equipment and data can be used and misused at different locations and times. An additionally stress is the issue of travel requirements that can have an impact on the work-family conflict (WFC). The authors reviewed the literature on WFC, job travel, and technology usage to assess what employees and employers are facing. The following is a brief review of prior research in this area.

LITERATURE REVIEW

Article titles like “On-the-Job Satisfaction Declines: Pay. Stress, Changes in Expectations Cited” (Geller 2005), ”More Dads Resist Business Travel” (Armour 2007), “Balancing Work, Life and Other Concerns: A Study of Mobile Technology Use by Australian Freelancers” (Sadler, et al 2006), “Companies Take Costly Steps to Secure Laptops” (Swartz, 2006), and “Technology and the Balance of Work Family Conflict: an Investigation into the Role of Telecommuting” (Golden, 2003) demonstrate that employees and employers are concerned about the impacts work-family conflict, technology and travel have. Employees are trying to balance between work and family when the line between home life and work is blurring (Geller 2005). Employers are looking at revising policies and employee contract negotiations that will help ease the work-family conflict (Badal 2006, and Shellenbarger 2005, 2006, 2007).

Fathers are beginning to demonstrate stress when they try to spend time with their families which conflicts with work demands (Stout 2005). Women in the information technology profession are being challenged with the need for a flexible work schedule to be able to accommodate demands from family schedules, which can cause other stresses from work (Armstrong and Blouin 2005). Added to the family scheduling stress are the requirement for information technology personnel to work weekends and evenings along with the challenge of keeping up with new technologies. Hoonakker, Carayon, and Schoepke (2005) described a model that showed a third factor in high turnover in the information technology work force is the employee’s perception of work-family concept. Work-family conflicts related to emotional exhaustion, job satisfaction and turnover had the strongest relations in their model.
Another workplace problem with the demands by working fathers for travel concessions is the creation of “tensions among co-workers who don’t have children but may feel they’re expected to shoulder more of the traveling burden” (Armour 2007).

This study hypothesized that technology would help or minimize WFC by providing flexibility in job location and/or improved contact with family. For example, a Solon, Ohio, company, The Mayfield Group, “has also dealt with fathers’ reluctance to travel by relying more on technology, such as” using webcams and video conferencing (Armour 2007). Employees today have integrated cell phones and other technologies into their everyday life. It was uncertain if these technologies help resolve some of the WFC, or change it into different stresses and/or conflicts. Being accessible through technology 24/7 has added to both groups’ (work and family) time management issues and has necessitated reevaluating work and family conflicts. Conversely, these technologies help the employee check in on, participate in decision making, and facilitate dependent care while still on the job. Dependents can have contact with the caregiver to reduce the stress of not being there personally.

Salespersons especially need to create boundaries between work and family since providing customers with your cell phone number, email address, and text and instant messaging numbers makes the salesperson even more accessible 24/7. Ellen Kossek found that “on average people who worked from one office spent 43 hours per week at work, those in two places spent 45 hours per week at work and those working in three places spend an average of 52 hours per week at work.” An additional finding was that the employees working in more than one place had lower performance evaluations by their supervisors. Rather than the performance being lower, Dr. Kossek proposed that this “may actually be because supervisors do not know how to manage distance workers” (“Setting Boundaries Between” 2003).

Security in information technology has never been more important due to recent legislation and publicity about security breaches which can lead to reduced customer trust in the organization. These security breaches have left many customers and organizations vulnerable. Personnel in the information technology field are very concerned about the employee’s understanding of the need to protect their laptops or other personal electronics and especially the data on these devices. Added security can slow down the technology so that the user may feel additional stress and time management issues. Furthermore, the responsibility of securing portable devices and data used for work is being pushed down on the employee (McQueen 2006). Policies are being revised to specify what data can leave the company, who can have access to the data, and where that data can be transmitted (Yip, 2006). If the employee doesn’t have the data on his/her personal devices, then accessing the data from the company’s system must be required to do his/her job. How secure is a WiFi connection at Starbucks? Thereby making network security an even greater when employees are allowed to work at any location. Securing data, electronic devices, and access to corporate data is critical and costly in today’s business environment (Swartz 2006). The now all too familiar scene of people using technology regardless of location or individuals around them has caused a blurring of the line between work and family. Is the call work related or family related? In many instances the calls are work related and the person using the mobile technology, either the sender or receiver, is not aware of his/her surroundings, which is of concern to organizations concerned about the privacy of their data (Sadler, et al. 2006).
customers first asked for responses from companies, all too often the customers' personal information was distributed in unsecured e-mail replies (Adams, 2007). Now, because of increased security systems, procedures and training, this inappropriate distribution of personal information is minimized. Challenges are still faced from the hacker, which only re-emphasizes the need for tight security on all mobile devices and data acquisitions. To add to this complication is that requirement that organizations store email, web searches, and text mail as business records, which must comply with the Federal Rules of Civil Procedure (WeComply, 2007). Younger workers tended not to be aware of the privacy and permanent record keeping from their use of technology as did older workers.

Based on the literature review and earlier exploratory studies by the authors (see, e.g., Authors 2004), the purpose of the study was two-fold: first, to compare employees’ perceptions toward work-family conflict stress by whether or not they had to travel as part of their jobs; and second, to compare employees’ perceptions of the impact of information technology and security issues on their lives by whether or not they had to travel as part of their jobs.

**METHODOLOGY**

The original questionnaire was developed and pretested in November 2003 (see Authors 2004 for more details). Based on findings from earlier studies and more recent literature, the researchers revised the questionnaire in early 2005. Respondents were asked to identify what sales field or industry they worked in, how much control they had over their daily activities, what percentage of their work involved using technology at home, whether anyone in their households were going to college, whether their spouses were caregivers or not, if any of their children had health problems, and their ethnicity. Questions regarding WFC (Bruner, et al. 2001), and authors-generated health and technology issues were retained. A sales task question and one set of scale items (Bruner and Hensel 1998) were dropped.

A non-probability snowball sampling process was used to collect the data during the Spring 2005 semester at a southern regional university. Students enrolled in one graduate marketing course and two sections of a senior-level undergraduate marketing course were asked to complete the survey for bonus points. In addition, each student was asked to give the survey to four other people they knew and to mark each survey with a code (initials and course number) in order to receive additional bonus points. Care was taken to ensure that the students had not cheated by completing all surveys themselves. A total of 150 usable surveys were returned by the late-April deadline.

**RESULTS**

Slightly over half (50.7%) of the 150 respondents were men, and over half were younger than 25 (56.4%). Forty-four (29.5%) of the respondents were between the ages of 25 and 34. Eighty-five (56.7%) were single, while 43 (28.7%) were married. Almost 82% of the respondents were Caucasian (122/149). Sixty-nine participants (46.3%) reported having one computer at home. Roughly two out of five (50/127) indicated that their computers were networked at home. All but five people had Internet access from home. Of those 144 with Internet access at home, 76 (52.8%) used a cable modem to access the web. Sixty-one (41.2%) of the 148 respondents had some amount of college
education. Over 62% (93/149) indicated that someone in their home was going to college. All but five of the respondents lived in one southern state.

Almost 85% indicated that both parents were still alive. Sixty-one (46.2%) out of 132 reported that they lived less than 20 miles from their parents. Over two thirds of those responding (88/129) indicated that their spouse’s or significant other’s parents were both still living. Forty (43.5%) out of 92 reported that they lived less than 20 miles from their spouse’s parents. Thirty-six participants (24.5%) said they have children; of these, 44.4% have one child. Fourteen (41.2%) reported that they have one child under the age of 18. Nineteen out of 24 parents indicated that they lived less than 20 miles from their children. With regard to being the primary caregiver for parents, only 11 out of the 145 who responded indicated that they had that responsibility. Only four respondents indicated that their spouse/significant other were the primary caregiver for his/her parents. Six parents (out of 38, 15.8%) indicated that they had children with significant health problems. Eighty-two respondents (56.2%) were classified as being employed part-time and 64 (43.8%) were classified as being employed full-time.

The respondents have been with their present employers an average of 36.39 months. For the 66 respondents who were employed less than two years in their current jobs, they had worked an average of 36.2 months in the same field. Over a third of the respondents (55/147; 37.4%) were required to travel as part of their jobs. Of the 55 who indicated that they had to travel, roughly half said their travel required an overnight stay. Respondents averaged 34.18 hours of work per week. Two-thirds (95/144, 66%) reported that they had more control, to a degree (3.6 mean), over their daily activities than did their bosses. Almost half (48.6%) of the respondents said that they did not use technology at home for their work. Most of the participants (85/141; 60.3%) indicated that their use of the Internet for work had remained the same compared to six months before.

The 13 WFC questions (Bruner, et al. 2001) and four health-related questions were measured on a five-point scale, where 1 = Strongly disagree, 4 = Agree strongly, and 5 = Not applicable. For purposes of analysis, any “5” score was dropped, leaving a four-point scale. Respondents tended to agree with positive self-related statements (able to do things, family has resources, take a positive attitude, satisfied with myself; means between 3.04 and 3.66) and spousal career statements (spouse content with his/her job (2.94), I’m content with spouse’s job (2.98)). They tended to disagree with negative self-related statements (feel useless (1.77), feel like a failure (1.29)), work-home conflict statements (spouse’s career conflicts with mine (1.70), family problems cause loss of time at work (1.74), feel tense when get home (1.99)), and all four health-related career-impact statements (health issues affecting career plans; means between 1.47 and 1.71). There were some points of indecision, however. Respondents were torn between agreement and disagreement over: personal concerns reduce my productivity at work (2.20), and contentment with city they live in (2.85).

Finally, with regard to the technology issues, respondents tended to agree or agree strongly with six statements: using computers is more important in my job today (3.27); have to login with a password at work (3.26); required to login when accessing from home (3.17); family members use the home computer for non-work activities (3.51); I’m concerned about home computer security (2.93); and having anti-virus software up-to-date at home (3.16). Some points of indecision are indicated for: company is overly
concerned about computer security (2.50); I’m concerned about computer security at work (2.19); company gave me adequate computer training (2.61); being careful about having anti-virus software up-to-date at work (2.78); my spouse uses the home computer for work (2.59); and time spent on computer takes away from family time (2.37).

In this paper the focus of the research is on significant differences by travel requirements. Cross-tabulations and chi-square tests were conducted on the categorical work-related questions. Even with the one-third/two-third split between those who had to travel as part of their jobs and those who didn’t in the sample, there exist potential cell size problems for some of the analyses. For the scale-based questions, the t test for two independent samples was selected over the Mann-Whitney U test, though there is the risk of violation of the homogeneity of variance assumption and the sample sizes varied above and below 30 (see Sheskin 1997, pp. 153 and 181). Since we did not hypothesize any directional differences, two-tailed probabilities were used.

Those who had to travel worked full-time (versus part-time; $\chi^2 = 19.465$, df = 1, p = .000) and tended to be employed in IT, government/industrial, and transportation career fields, whereas those who didn’t tended to be employed in retail and hospitality/restaurant fields or were not employed ($\chi^2 = 20.272$, df = 8, p = .009, cell size problem). Those who didn’t have to travel tended to be under the age of 25 versus those who did ($\chi^2 = 20.375$, df = 4, p = .000, cell size problem), lived less than 20 miles from their parents (versus lived 60 or more miles away; $\chi^2 = 12.202$, df = 4, p = .016), were single/never married (versus married; $\chi^2 = 8.091$, df = 3, p = .044, cell size problem), and didn’t have any children ($\chi^2 = 6.318$, df = 1, p = .012). Those who had to travel tended to be Caucasian in ethnicity (versus African-American and Hispanic; $\chi^2 = 9.75$, df = 4, p = .045, cell size problem), had earned a Bachelor’s degree (versus some college education or less; $\chi^2 = 9.794$, df = 4, p = .044), and tended to have more computers at home (1.95 vs. 1.62, t = 1.986, p = .049).

Those who had to travel as part of their work requirements had been with their present employer twice as long as those who didn’t have to travel (52.98 months vs. 26.56 months, t = 3.304, p = .002, equal variances not assumed), and tended to work almost 12 hours more per week than those who didn’t have to travel (41.94 hours vs. 29.65 hours, t = 5.303, p = .000). Those who had to travel indicated they had more control over their own daily activities (3.89 vs. 3.43, t = 2.845, p = .005, equal variances not assumed), and spent almost three times as much time using technology at home for their work than those who didn’t have to travel (26.93% vs. 9.9%, t = 3.71, p = .000, equal variances not assumed).

Two significant differences and two marginally significant differences were identified regarding the 13 WFC statements. Those who had to travel tended to agree with the following statements: “My family has the resources to meet our desired lifestyle” (3.25 vs. 2.92, t = 2.307, p = .023) and “I am content with the city in which I live” (3.19 vs. 2.69, t = 3.055, p = .003). Those who did not have to travel tended to disagree more with these statements: “Family problems cause loss of time at work for me” (1.65 vs. 1.90, t = 1.798, p = .074) and “The health of my spouse/significant other has affected my career plans” (1.38 vs. 1.64, t = 1.792, p = .078, equal variances not assumed). The latter two differences are likely explained by the fact that those who didn’t travel also tended to not be married.
Seven significant differences and two marginally significant differences were found for the technology issues. Those who had to travel tended to strongly agree with these statements: “Using computers is more important in my job today than it was five years ago” (3.52 vs. 3.09, t = 2.967, p = .004, equal variances not assumed); “At work I am required to login using a password to access my organization’s computer” (3.51 vs. 3.07, t = 2.576, p = .011, equal variances not assumed); and “If I access my organization’s computer from home I must login” (3.52 vs. 2.79, t = 3.231, p = .002, equal variances not assumed). Those who had to travel also agreed more with these three statements: “My spouse or significant other uses our home computer for work” (2.83 vs. 2.37, t = 1.832, p = .071), “My company is overly concerned about computer security” (2.81 vs. 2.29, t = 2.856, p = .005), and “My company provides computer training that is adequate for my needs” (2.90 vs. 2.42, t = 2.651, p = .009). Those who did not travel as part of their jobs tended to strongly agree with this statement: “Other members in my household use our home computer for activities other than work” (3.60 vs. 3.38, t = -1.851, p = .067), while disagreeing with these two statements: “Time I spend working on the computer takes away from my time with my family” (2.17 vs. 2.64, t = 3.052, p = .003) and “I am concerned about my organization’s computer security” (1.97 vs. 2.51, t = 3.413, p = .001).

LIMITATIONS

There are several limitations of this study. One, the pretest was with students, then revised and expanded to salespeople. The sample is not a representative sample, since it was a snowball, non-probability sample and also drawn from a small region of the United States. The study also is affected by the use of borrowed scales and the appropriateness of added items (Engelland, Alford & Taylor, 2001).

CONCLUSIONS

With regard to work-family conflict and travel requirements, we did several significant findings. Of the respondents to this survey, those who traveled as part of his/her job worked full time in the information technology, government/industrial, and transportation fields. While those working in the retail, hospitality/restaurant, part time or not employed didn’t report travel as a requirement of his/her job. In addition it was interesting that those participants who didn’t travel were under 25 years old, live less than 20 miles from their parents, were single/never married, and didn’t have children. Intuitively this is logical since workers in retail and hospitality/restaurant industries would spend less time traveling unless they were in upper management doing district or regional supervision. Also, those participants working part time would be less responsible for traveling to represent their employer since they either are probably working as a fill in for full time employees with more responsibilities. Those not working would have no reason to travel.

It was significant that those who travel as part of their job had been with their present employer twice as long as those who didn’t travel. In addition they worked almost 12 hours more per week than those who didn’t have to travel. Those participants who do travel indicated that they have had control over their own daily activities and spent almost
three times as much time using technology at home than those who didn’t have to travel. The respondents appear that they are happy with their current employers even with the travel. It could be speculated but not verified that having control over his/her daily activities and the ability to work at home using current technology negates some of the impact on the family when the respondent needs to travel.

When correlating travel and technology issues, those who traveled tended to strongly agree that the computer is more important today and computer security measures, such as password authorization, is required for computer access either at work or from home. Those who did not travel responded that other members of the household used the home computer for activities other than work and that time spent working on the computer did not take away time from the family or felt that his/her employer was concerned about computer security.

Overall the respondents that did travel tended to be older, worked full time in non-service related industries, had bachelors’ degrees, and worked more hours in part due to the travel requirements. Current technology and the control of his/her daily schedule appear to help ease some of the conflicts on family life caused by travel requirements.

REFERENCES


ABSTRACT

This study examines gatekeeper and frame-of-reference (norm versus criterion) grading beliefs of U.S. business school faculty using a web-based survey. We report that faculty in the business courses with a more theoretical pedagogy have a stronger gatekeeper and greater norm-referenced beliefs than do the faculty of the courses with a more skills-oriented pedagogy. We find that the individual attributes examined indicate that teaching load is associated with greater criterion-referenced grading beliefs. We also find that male faculty have greater gatekeeper and norm-referenced grading beliefs, and that faculty who experience more pressure from departmental grading policies revert to more criterion-referenced beliefs. Furthermore, we find that faculty in schools that service more national/international firms tend to have greater norm-referenced beliefs, and faculty whose graduates tend to go to small employers (i.e., regional and local firms) exhibit greater criterion-referenced beliefs, suggesting that larger firms would like colleges to rank students to allow for a more informed choice for their large employment needs.

*Corresponding author: School of Business Administration, The University of Vermont, Burlington, VT 05405, (802) 656-5774, (802) 656-8279 (fax), chodgdon@bsad.uvm.edu

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INTRODUCTION

This study examines business faculty beliefs about the purpose of grades, and considers the question of why grading beliefs differ among business faculty. To examine this question, we first measure the grading beliefs of faculty by assessing two dimensions: (1) what reference group faculty use to determine grades (frame-of-reference beliefs), and (2) what grading standards the faculty use (gatekeeper beliefs). We then propose and test reasons why these beliefs differ.

In related research, Barnes et al. (2001) survey a broad, multi-discipline sample of university faculty about their grading beliefs and find that faculty gatekeeper grading beliefs differ systematically among disciplines but frame-of-reference beliefs do not. For instance, they report that physics faculty have more of a gatekeeper (defined in the next section) belief than do business faculty. Barnes et al. (2001), however, did not consider the separate and distinct disciplines within schools of business. Because of the wide range of subjects offered, we believe that business faculty do not readily form a homogenous group. Thus, our study investigates the grading beliefs of faculty from different business disciplines.

Our hypothesis is that grading beliefs are influenced by the environment of the faculty member. Our framework for the environment of grades comes from Lunneberg (1978), who notes that inconsistent and unreliable grades reduce their worth in at least three important ways. First, faculty use grades to provide students with feedback, and prior studies suggest that individual faculty attributes are related to this feedback. Thus, we hypothesize that individual faculty attributes (e.g. gender) will impact grading beliefs. Second, universities use grades for assessing teaching and program effectiveness so we hypothesize that institutional differences (e.g. departmental grading policies) will impact faculty-grading beliefs. Third, external users examine grades to identify capable students so we hypothesize that differences in the “marketplace” for a school’s graduates influence business faculty grading beliefs.

To investigate these hypotheses, we asked a nationwide sample of business school faculty to complete a web-based survey. The survey results suggest that different disciplines within the business school exhibit systematically different beliefs about what their grades communicate. Further, our results show that individual attributes and institutional influences are more (less) able to explain variations in frame-of-reference (gatekeeper) beliefs. On the other hand, the “marketplace” factors have greater (less) influence on gatekeeper (frame-of-reference) beliefs. Overall, we conclude that the diverse objectives sought by the various business disciplines are reflected in their different grading beliefs and, as such, a proper evaluation of student performance requires consideration of grades from all courses.

PRIOR RESEARCH AND VARIABLE DESCRIPTIONS

Barnes et al. (2001) propose that between-discipline differences in grades can be explained by the cross-discipline differences in the beliefs faculty hold about the purpose
of grades. Their study, however, combines all business faculty into a single group and does not recognize that managing human resources, for example, is a more subjective discipline than finance or accounting. The management grades, therefore, are more likely to reflect the lower specificity of course content compared with the highly structured content of finance or accounting.

Like Barnes et al. (2001), we use Biglin (1973) to describe disciplines as either “hard” or “soft,” (hard is more related to physical nature), as “pure” or “applied” (pure is more theory driven) and as “life” or “non-life” (life deals more with live entities). Barnes et al. (2001) relate course objectives to these classifications and describe courses whose content devolves from theoretical constructs (e.g. physics and mathematics) as the hard, pure, non-life disciplines, and the courses whose contents pursue the development of situational skills (e.g. fine arts and education) as the soft, applied, life disciplines. The Barnes et al. (2001) study reports differences in grading beliefs among the Biglin (1973) classifications.

Within business school disciplines, economics and finance are more theory-driven while management and marketing relate more to the development of the skills that can be applied in various situations. Casual conversations with colleagues from these disciplines support this view of business courses, although most consider the courses to be more complex than just this two-factor classification. Although many may disagree with the simplistic Biglin (1973) classifications, we find consistent approaches in schools of business and therefore use the Biglin (1973) scheme to provide a perspective on the differences among business disciplines.1

### Grading Beliefs

We measure grading beliefs along two dimensions: the frame-of-reference and the gatekeeper dimensions (Barnes, 1997). The frame-of-reference labels one extreme as “norm-referenced” and the other extreme as “criterion-referenced.” Norm-referenced graders believe that a student’s grade has meaning only when compared to the performance of other students. Thus, faculty who are more norm-referenced believe that the purpose of grades is to evaluate each student’s performance relative to other students in the same class. Criterion-referenced graders, on the other hand, believe that grades are most meaningful when used to evaluate whether the student has met an external standard for performance (i.e., certain set criteria). Faculty who are more norm-referenced may “curve” grades and faculty who are more criterion-referenced may assign an “A” to all students, provided they have all met the established criteria (Barnes, 1997; Geisinger and Rabinowitz, 1982).

The second dimension of faculty beliefs about grades is the gatekeeper belief, the extent to which the professor acts as the profession’s advocate in the educational process. Strong gatekeeper beliefs among faculty indicate that a significant component of the educator’s job is to serve the business community by separating out the most capable students. On the other hand, a weak gatekeeper belief emphasizes student improvement and is consistent with advocating students’ capabilities. As students develop professional...

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1 Researchers have used these notions to examine their own disciplines. For instance, Ingram and Howard (1998) use the terms “procedures” and “concepts” to describe different emphases of the introductory accounting course.
skills, the grades reflect their improvement and indicate to users whether their efforts were successful.

Barnes et al. (2001) find support for differences in grading beliefs among academic disciplines. Their university-wide results suggest that those who teach mainly facts (e.g., the hard, non-life disciplines) have higher gatekeeper beliefs compared to those who emphasize personal development (e.g., the soft, non-life disciplines). They do not find statistical differences between disciplines for the frame-of-reference measures (norm vs. criterion reference). We break out the individual business disciplines and expect differences among business disciplines to exist in a predictable manner.

Influences on Grading Beliefs

In this section, we describe the individual attributes, institutional factors, and external (market) factors that are hypothesized to influence grading beliefs. We examine the literature for variables that reflect Lunneberg’s (1978) various stakeholders in university grades (i.e., faculty, institutions, and external users).

We expect that faculty attributes will influence grading beliefs beyond Biglin’s (1973) classifications of faculty members’ chosen disciplines. Barnes et al. (2001) report that grading beliefs are associated with how the faculty view their role as teachers (e.g., as imbuing students with a love of learning, or as a teacher of facts). Thus, we include a test of whether the role (ROLE) influences grading beliefs. Related to this, we ask whether teaching load (LOAD) influences grading beliefs because teaching load can differ according to rank. Gender may influence whether a faculty member is initially employed at a research or teaching institution (Collins et al., 2000), and we therefore test for gender (GNDR) effects.

University, business school, and departmental factors constitute institutional influences. Thus, we examine whether departmental grading policies (POLY) influence grading beliefs, reflecting Addy and Herring’s (1996) report that such policies contribute to grade inflation.

External (i.e., “market”) influences may also impact grading beliefs from two directions. First, Albrecht and Sack (2000) suggest that accounting faculty should be acquainted with the primary employers of their students, so we ask whether the type of employer (EMPR) influences grading beliefs. For instance, it may be that smaller accounting firms do not have the resources to provide additional training to new hires, and as a result may provide feedback to faculty who would then be encouraged to adopt a greater gatekeeper belief. A second direction of influence is how faculty view the competitive environment of their school. The existence of competition among schools can influence how graduates are compared to graduates from other schools (Kemelgor et al., 2000; Bailey and Dangerfield, 2000). Consequently, we investigate the influence on grading beliefs of faculties’ perceptions of how grades from their courses compare with grades from other universities. If a faculty member believes “top-tier” schools have tougher grading standards than “low-tier” schools, this would be consistent with a hierarchy view (HEIR) of schools, in contrast to the view that similar courses across schools have equal standards.
SURVEY AND SAMPLE

Our survey questions are based on the Faculty Beliefs about Grades Inventory (FBGI), developed and verified by Barnes (1997) and published in Lester and Bishop (2000). The FBGI consists of 24 Likert-scale questions, which Barnes tested on a broad base of university faculty. We also include additional instructor, institutional, and “market” oriented questions that seek to identify influences on grading beliefs. The survey was pre-tested by 26 undergraduate business faculty at a southeastern public university. After pre-testing, a cover letter and link to the web-based survey was emailed to a representative sample of university business school faculty across the nation in May of 2005. The month of May is the last month of many semester-based institutions so it is assumed that faculty are most aware of their grading and evaluation beliefs at this time. The link to the survey was left open for 29 days.

The sample selection process is as follows. The American Accounting Association includes seven geographic sections, from each of which one state was selected as representative of the section. Next, from each state we identified AACSB-member universities that were judged to represent a broad distribution of university sizes (major state institutions to smaller universities) and types (public and private). Then, the names and email addresses of faculty from all business departments were copied from the business school web pages to an email address list. In total, 2,876 faculty email accounts were selected.

The first request went out on May 2, 2005, and the second request was sent to the whole sample on May 23, 2005. The second requests went to the whole sample because anonymity was guaranteed to respondents. From the first email request, 77 were returned with faulty email addresses, indicating a base sample of 2,799 faculty from 36 universities. The first emailing resulted in 200 completed surveys (a sample response rate of 7%). The second request provided an additional 75 responses for a total response rate of 10%. There are no significant differences between early and late responses. In untabulated results, we evaluated the response rates by Carnegie classification universities. The more teaching-oriented universities (Carnegie classifications 2 and 3) had total response rates of 15% and 20% respectively. The more research-oriented Carnegie classification universities (classifications 4 and 5) had weaker response rates. Although the combined overall response rate is low, we believe our results may be more indicative of the teaching-oriented universities.

We replicated Barnes (1997) factor analysis on the responses and identified two factors which are equivalent to Barnes’ Frame-of-Reference and Gatekeeper attributes.²

² The Barnes (1997) 24-item FBGI assesses faculty beliefs about norm-referenced and criterion referenced grading systems as well as beliefs about the gatekeeping purpose of grades. Barnes selected questions based on a thorough review of the literature, interviews with faculty, and personal observations.

³ Consistent with Barnes (1997), a varimax rotation of the survey questions initially produces 5 factors, with eigenvalues of 6.25, 3.29, 1.52, 1.33, and 1.07. As in Barnes (1997), we constrain the factors to two, given that the lowest three eigenvalues are close to 1. The first factor’s loadings are similar to Barnes’ Frame-of-Reference attribute and the second’s loadings are similar to her Gatekeeper attribute. One question did not load as expected. Question 9, “A final exam in which all students score quite high is probably too easy, no matter how well students know the
The two factors explain 40% of the variance (Barnes, 1997, was 39%) and have reliability alphas of 0.78 and 0.86 for the gatekeeper and frame-of-reference factors, respectively (Barnes, 1997, reports alphas of 0.83 and 0.86 and Barnes et al., 2001, report alphas of 0.73 and 0.83). Hair et al. (1997) suggests that alphas greater than 0.80 indicate reliable scales, so we believe the instrument to be a valid measure for our sample.

**GRADING BELIEFS OF PARTICIPANTS**

Table 1 presents Gatekeeper and Frame-of-reference scores, by business disciplines. As previously noted, Barnes et al. (2001) classifies business faculty into a single group and compares that group to other disciplines, whereas this study examines whether faculty beliefs about grades differ among disciplines within business schools. This more detailed analysis proves to be informative.

(insert Table 1 here)

The main observation is that the mean \( GATE \) and the mean \( FOR \) scores are different among the disciplines. The overall mean \( GATE \) is 4.51 and mean \( FOR \) is 3.93, consistent with Barnes et al. (2001). However, an anova test (not shown) indicates that the mean \( GATE \) and the mean \( FOR \) scores are different among the disciplines (F-statistic is 4.08 for the \( GATE \) test and is 3.96 for the \( FOR \) test). Further, a ranking of the disciplines by \( GATE \) scores is consistent with the conjecture that the “theoretical” disciplines exhibit stronger gatekeeper beliefs (Barnes et al., 2001). For instance, economics and finance have higher \( GATE \) scores while and management and marketing have lower \( GATE \) scores. Waller-Duncan multiple range tests (not shown) indicate that economics (high) and marketing (low) are separated from the rest of the disciplines. It is also interesting to see that the \( GATE \) scores have a narrower standard deviation than the \( FOR \) scores. The standard deviation of \( GATE \) also indicates that the marketing discipline has the most variability of gatekeeper opinions among Business disciplines, and economics has the most variability of \( FOR \) scores among the disciplines.

**RESULTS - INFLUENCES ON GRADE BELIEFS**

This section describes additional analyses performed in an effort to better understand the various factors that affect faculty-grading beliefs. Three areas are examined: faculty attributes, institutional pressures, and external (“market”) influences.

The faculty attributes that influence grading beliefs include the role that a faculty member considers to be the most important to teaching. Most faculty in our sample consider the development of higher-order thinking skills to be their primary role. Significant numbers, however, consider teaching facts and preparing students for jobs to be their primary teaching role. To include this data in a regression model, we convert the responses into a binary variable. Faculty who believe teaching facts or preparing students material,” unexpectedly loads on the \( FOR \) factor instead of the \( GATE \) factor. However, we include it in the Barnes’ \( GATE \) factor, consistent with the published instrument. Including it in the \( FOR \) factor results in similar and parallel conclusions.
for jobs are “results-oriented” and are assigned a value of 1 for the dummy variable, \textit{ROLE}. Faculty who consider the other roles to be primary are “process-oriented” and are assigned a value of 0 for \textit{ROLE}.

As mentioned previously, we ask whether teaching load (\textit{LOAD}) influences grading beliefs because teaching load can differ according to rank. We define teaching load (\textit{LOAD}) as a continuous variable for the average semester hours taught per year. Gender may influence whether a faculty member is initially employed at a research or teaching institution (Collins et al., 2000), and we therefore test for gender effects and define the dummy variable \textit{GNDR} as 1=male and 0=female.

Also as previously mentioned, we test for institutional effects on faculty grading beliefs. We therefore examine whether departmental grading policies influence grading beliefs, and define the variable (\textit{POLY}) as a Likert measure answering the following question: “Weight the influence of departmental/school grade distribution policy on your course grades,” where 1=excessive, 2=significant, 3=moderate, 4=minor, and 5=no influence.

In terms of external or “market” influences on faculty grading beliefs, we ask whether the predominant employer of student graduates influences grading beliefs, and define the variable \textit{EMPR} as a Likert measure of the following main student employer classifications: 1=government, 2=international firms, 3=national firms, 4=regional firms, and 5=local firms (only one respondent identified government as a main employer).

Lastly, we investigate the influence on grading beliefs of faculties’ perceptions of how grades from their courses compare with grades from other universities. The variable \textit{HEIR} is thus defined as a ratio with the numerator indicating the level of achievement of a student earning an A or a B in a “top tier” school to an A or a B from the survey participant’s class, and the denominator indicating the level of achievement of a student earning an A or a B in a “low tier” school to an A or a B from the survey participant’s class.

Regression Results

Table 2 presents the results of our regression analysis. We form two dummy variables, one for economics and finance (\textit{HIGH}) and one for management and marketing (\textit{LOW}). We then examine whether these variables have a statistically significant impact on grading beliefs, using other disciplines as a benchmark (systems, accounting, logistics, and other). The coefficients for \textit{HIGH} (faculty in finance and economics) and \textit{LOW} (faculty in management and marketing) are consistent with expectations, i.e., the more theoretical disciplines (economics and finance) have higher GATE and FOR scores relative to the benchmark disciplines.

Table 2 also reveals that for business faculty, in general, teaching load (\textit{LOAD}) is associated with greater criterion referenced grading beliefs (lower FOR scores). This

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4 Developing higher order thinking skills is not clearly fact oriented or growth oriented, so in alternative tests, we include the faculty who consider the development of higher order thinking skills in the results-oriented group and assign them a value of 1. In a second alternative test, because developing higher order thinking skills is unclear, we also omitted faculty observations with this role indicated as primary. In both alternative tests, the results parallel those reported in Table 2.
seems to indicate that the greater the teaching load, the less likely it is that an instructor will “curve” the grades.

The coefficient for the variable GNDR (1=male; 0=female) is positive and statistically significant, indicating that male faculty have greater gatekeeper and norm-referenced grading beliefs (higher FOR scores) than female faculty.

The coefficient for grade distribution policies (POLY) suggests that those who experience more pressure from departmental grading policies revert to more criterion-referenced beliefs. Grade distribution policies do not appear to affect gatekeeper beliefs, however.

Although not statistically significant, the negative coefficient on employer type (EMPR) in the FOR tests indicates that faculty in schools that service more national/international firms tend to have greater norm-referenced beliefs, and faculty whose graduates tend to go to small employers (i.e., regional and local firms) exhibit greater criterion-referenced beliefs. This may suggest that larger firms would like colleges to rank students to allow for a more informed choice for their large employment needs.

We also find that faculty who hold a hierarchy view of schools have greater GATE scores. The positive coefficient for HEIR suggests that those who perceive that a university hierarchy exists are more likely to have gatekeeper beliefs. This result implies that gatekeepers seek to maintain society’s standards regardless of the type of school they are in. Overall, the results of the analysis of the hierarchy influence imply that a gatekeeper perspective is stronger if faculty believe that their students must compete with schools that are of differing quality.

(insert Table 2 here)

CONCLUSIONS

Using the Faculty Beliefs About Grades Inventory (FBGI) (Barnes, 1997), we find that faculty in the business courses with more of a theoretical pedagogy (i.e., the more quantitative disciplines) have a stronger gatekeeper beliefs than do the faculty of the courses with a more skills-oriented pedagogy (i.e., the more qualitative disciplines). Also using the FBGI, we find that faculty from theoretically-oriented disciplines have greater norm-referenced grading beliefs and faculty from the more skills-oriented disciplines have greater criterion referenced grading beliefs.

On the surface, it may seem that criterion-referenced beliefs are more consistent with a gatekeeping philosophy because criteria can be consistently used to bolster and defend the gatekeeper objectives. However, it may also be that the gatekeeper philosophy may induce faculty to rank students because the sufficiency notion of the gatekeeper view would result in only pass-fail information if the criteria used to measure this sufficiency were met. As such, these faculty see an extension of their role to society as providing a student ranking, perhaps because meeting criteria is too limiting an information piece.

Although the differences among disciplines are intriguing, it is not possible to draw strong conclusions from this exploratory study. However, we believe the study offers directions for future research. First, the differences in faculty beliefs about grades reflect differences in the course contents of the disciplines, so we believe that a student’s
whole transcript offers a more complete picture of student abilities. Future research may examine how different employers, such as accounting firms, use student transcripts.

Second, our study has implications for research into business school management. It appears that the greatest influences on what reference group faculty use for grades are individual and institutional factors. It also appears that the market forces have the greatest association with the gatekeeper beliefs. This result may impact colleges that attempt to “reposition” themselves by becoming less, or more, elite. As repositioning takes place, how do the grades change and are users able to compare grades, period to period?

Third, our results may suggest research on course management. It appears that some courses may be considered gatekeeper courses and some are more relevant to the professional development of students. Many (e.g., AECC, 1996), suggest that individual courses should be directed to infuse both technical and qualitative content, but Ingram and Howard (1998) find that grading mechanics did not reflect new course content introduced to align introductory courses with these directions. If faculty adjust course objectives, (for instance, including a significant personal development component in fact-oriented courses), is the gatekeeper role of the course changed? Consistent with Ingram and Howard (1998), we believe that such changes should be carefully examined.
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Accounting Education Change Commission. Sarasota FL, AAA.
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TABLE 1
Gatekeeper (GATE) and Frame of Reference (FOR) Scores by Discipline
TABLE 2

Regression Model of Influences on Gatekeeper and Frame-of-Reference Scores

Models:

\[
GATE = B_0 + B_1(HIGH) + B_2(LOW) + B_3(ROLE) + B_4(LOAD) + B_5(GENDER) + \ldots + B_8(HEIR) + e
\]

\[
FOR = B_0 + B_1(HIGH) + B_2(LOW) + B_3(ROLE) + B_4(LOAD) + B_5(GENDER) + \ldots + B_8(HEIR) + e
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</thead>
<tbody>
<tr>
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<td>3.72</td>
<td>6.48</td>
</tr>
<tr>
<td></td>
<td>(6.79)***</td>
<td>(9.92)***</td>
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<tr>
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</tr>
<tr>
<td></td>
<td>(1.69)*</td>
<td>(1.66)*</td>
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<tr>
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<td>-0.39</td>
</tr>
<tr>
<td></td>
<td>(2.73)***</td>
<td>(2.52)**</td>
</tr>
<tr>
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<tr>
<td></td>
<td>(0.83)</td>
<td>(1.15)</td>
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<tr>
<td>LOAD</td>
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<td>-0.03</td>
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<tr>
<td></td>
<td>(1.04)</td>
<td>(3.05)***</td>
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<tr>
<td></td>
<td>(2.08)**</td>
<td>(3.56)***</td>
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<td></td>
<td>(0.62)</td>
<td>(4.65)***</td>
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<tr>
<td></td>
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<td>(1.52)</td>
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<td>HEIR</td>
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<tr>
<td></td>
<td>(2.80)***</td>
<td>(1.07)</td>
</tr>
</tbody>
</table>

R-square 0.10 0.21

*, ***, *** Significant at p<0.10, p<0.05, and p<0.01, respectively.

a Coefficient (t-statistic).
When Newly Public Firms Make Partial Acquisitions

Abstract

This study focuses on one method that firms use to expand during their first year after their IPO. Over 130 partial acquisitions made by newly public firms from 1992-2001 are studied. A logit analysis shows that, compared to full acquisitions, the target assets are more likely to be owned by a public firm and paid by cash. Partial acquisitions are less likely to be made by internet or tech firms. In general, the market reacts favorably to the announcements and a statistically significant cumulative abnormal return of 3.00% is found for the two day window. However, while the announcement returns are positive, the 12 month and 18 month cumulative abnormal returns are negative showing that the positive response at the announcement was not warranted.

Joan Wiggenhorn
Andreas College of Business
Barry University
Miami, FL 33161
Phone: (305) 899-3514
Email: JWiggenhorn@mail.barry.edu
Internet Communication Tools

The Internet was designed as a powerful communication tool. Fortunately, the youth of America, schools, businesses, and indeed the world, are increasingly relying on the web to carry on their day-to-day social interaction. The purpose of this study is to examine the Internet communication tools available to society today and their implications on the social, cultural, and economic aspects of life. Wireless technology has accelerated the development of messaging software such as ICQ (I seek you), opening the market to an array of devices for web access. As a result, the keyboard and mouse may gradually give way to the navigation of the web with our voices. Future technologies may even allow users to browse the web via screens in the eyewear, with tiny cameras reading eye movements and making selections (Housley 2004). This study will evaluate the many Internet communication options that will help the participants to make a decision as to what works best for them.
Age-Related Employment Discrimination: A Transatlantic Comparison of the United States and the United Kingdom

Domain: Business Disciplines

Jeffrey A. Mello, Ph.D.
Associate Dean and Professor of Management
Andreas School of Business
Barry University
11300 Northeast Second Avenue
Miami Shores, FL 33161
305.899.3531 (v)
305.892.6412 (f)
jmello@mail.barry.edu

Abstract

New regulations passed in the United Kingdom which prohibit discrimination in employment based on age have the potential to radically alter the nature of the employment relationship in the U.K. These regulations are much broader in scope than those found in the corresponding Age Discrimination in Employment Act of the United States. This paper will focus on the terms and conditions of the Regulations relative to the comparative United States law which prohibits age-based discrimination in employment, the Age Discrimination in Employment Act of 1967, and consider implications of the regulations for non-British employers operating in the UK.
Age-Related Employment Discrimination: A Transatlantic Comparison of the United States and the United Kingdom

In coordinating the numerous activities its member states’ governments, The European Union (hereinafter EU) generally does not enforce specific laws upon individual countries but rather issues directives or guidelines under which member states are free to develop their own individual laws. The freedom to develop such individual laws allows member countries to consider social and cultural differences between themselves in developing their own laws, as long as such individual laws do not run afoul of or contradict the corresponding EU directives. In 2000 the EU issued The European Directive 2000/78/EC which established a general framework under which member states had to ensure equal treatment in employment and occupation independent of race, sex, disability, sexual orientation, religion and beliefs and age. Laws passed under this anti-discrimination directive had to be passed prior to 2 December, 2006 and would supersede any existing laws in effect in any of the member states.

To comply, in part, with the directive the British government implemented, on 1 October, 2006, The Employment Equality (Age) Regulations 2006 (hereinafter UK Regulations). The UK Regulations are arguably the most significant upheaval in UK employment law in the past 30 years with the potential to radically alter the landscape of the employment relationship in the United Kingdom. Given this perception it is probably not surprising to note that the UK was a bit of a straggler in developing its own laws as 22 of the remaining 24 members of the EU had already passed their respective laws prior to the UK passing its own. The Regulations will not only impact employment practices and policies among employers in the UK but also impact those of United States and other multinational employers who operate within the UK. This paper will focus on the terms and conditions of the Regulations relative to the comparative United States law which prohibits age-based discrimination in employment, the Age Discrimination in Employment Act of 1967, and consider implications of the regulations for non-British employers operating in the UK.

Comparative Scope of the ADEA and UK Regulations

Which “Employers” are Covered?
The Age Discrimination in Employment Act of 1967 (hereinafter ADEA) applies to all employers who have 20 or more employees working for 20 or more months of the year (ADEA, Sec 630). Consequently it does not apply to the majority of small businesses (fewer than 20 employees) or seasonal businesses but it does apply to all employment agencies and labor organizations (ADEA, Sec. 630). The UK Regulations apply to all employers, regardless of the number of individuals employed, as well as to employment agencies, providers of vocational training, trade unions, professional associations and employer’s organizations (UK Regulations, Part 2, 17-22).

Who is Protected?
The ADEA further applies strictly to existing employees and job applicants (ADEA, Sec. 623 ) whereas the UK Regulations apply to existing employees and job applicants as well
as to self-employed individuals and independent contract (non-permanent) workers (UK Regulations, Part 2, 7-9). The ADEA prohibits discrimination only against individuals 40 years or age or older (ADEA, Sec. 631) and also prohibits discrimination against a person age or 40 older in favor of another individual who is also age 40 or older but happens to be younger. The UK Regulations prohibits any discrimination whatsoever based on age as well as on perceived age (US Regulations, Part 2, 7).

Supplemental Protection
Under the United States Constitution, laws passed by Congress are binding on all 50 states and territories but individual states and municipalities are free to pass their own additional, supplemental laws to provide further protection as long as those laws are not in violation of the corresponding federal law. As an example, the state of California has passed the Fair Housing and Employment Act (Cal. Govt. Code 12941) which prohibits age-based discrimination in employment by employers who employ five or more individuals and further prohibits age-related harassment by employers who employ one or more persons. The UK Regulations do not provide for any additional supplemental legislation or protection.

Causes of Action
Under the ADEA a complainant has two means of proving unlawful discrimination. The first is adverse or disparate treatment, where the employee or job applicant argues that she was treated differently or less favorably than a younger employee based upon age. The complainant needs to provide evidence of “intent,” meaning that the action(s) taken was/were deliberate. The second means is adverse or disparate impact, where the employee or job applicant argues that while treatment was equal, the consequences of the treatment unfairly disadvantage an individual or group based on age. Intent is not relevant here and the complainant has to illustrate that “business necessity” was not a factor in the decision.

Under the UK Regulations, three causes of action can be levied against an employer. The first is direct discrimination, equivalent to adverse or disparate treatment (UK Regulations, Part 1, 3). The second is indirect discrimination, equivalent to adverse or disparate impact (UK Regulations, Part 1, 3). The third is harassment, whereby an “intimidating, hostile, degrading, humiliating or offensive environment” is created with the effect of violating the individual dignity of a person (UK Regulations, Part 1, 6). The ADEA does not prohibit or recognize age-based harassment but again, individual states are free to pass their own laws which address this. California, for example, prohibits any kind of age-related harassment in its Fair Employment and Housing Act (Cal. Govt. Code 12941).

Oversight and Enforcement
Compliance with the ADEA is overseen by the United States Equal Employment Opportunity Commission (EEOC), whose commissioners and appointed by the President (ADEA, Sec. 626). The EEOC has oversight of a variety of federal laws that prohibit discrimination in employment on the basis of race, religion, national origin, physical and mental ability and family health and care provider status. Claims must generally be filed
with the EEOC within 180 days of the date of the alleged non-termination violation or within 30 days of termination (ADEA, Sec. 626). The EEOC is charged with investigating and attempting to resolve the claim and retains the right to file suit against an employer on behalf of an employee or group of employees.

The UK Regulations are overseen by an employment tribunal and the statute of limitations requires that claims generally be brought to the tribunal within three months of the date of the alleged unlawful discrimination (UK Regulations, Part 5, 36). Additional claims can be brought under the UK Regulations by the Commission for Equality and Human Rights that are more societal in nature, such as discriminatory advertisements (UK Regulations, Part 5, 39).

**Employer Defenses**

In the United States there are four common defenses under which employers counter charges of illegal discrimination. The first of these is showing that the age-related criterion is job-related and a “bona fide occupational qualification,” or essential for effective job performance and necessary to the operation of the business. The second of these is that the decision was based on “reasonable factors” other than age. The third defense is compliance with a “bona fide seniority system,” often previously negotiated as part of a collective bargaining agreement. The fourth defense is where an employer makes an employment decision, usually related to termination or discipline, based on “good cause.”

Because the UK Regulations are new, employer defenses against allegations of unlawful age discrimination are yet to be tested in the British court system. However, the Regulations do provide for some justification of age-based employment practices and decisions. The first justification for direct or indirect age-related discrimination is showing that the treatment or practice was a necessary means of achieving a legitimate social goal. The second justification is evidence that the age-based criteria used is a genuine occupational requirement for the job, similar to the bona fide occupational qualification defense under the ADEA. The third justification is that an applicant is older than or within six months of the employer’s normal retirement age. The fourth justification is a legitimate seniority system that “reasonably appears” to “fulfill a business need,” such as encouraging loyalty or rewarding experience (UK Regulations, Part 2, 8).

The basis of cost as a defense under the two laws is significantly different. Under the ADEA, the employer may cite costs in its defense of its employment practices, particularly whose related to a bona fide employee benefit plan. The EEOC issued regulations pursuant to the ADEA that allow age-based reduction in benefit plans if such reductions can be justified relative to “significant cost considerations” (ADEA, Sec 625). The UK Department of Trade and Industry has held that while economics factors and measures of efficiency may be legitimate goals of an employer, discrimination (in any form) can not be justified solely because it is more expensive not to discriminate. Indeed UK case law has held that while costs may be considered as a factor in any business
decision, they can not be the only factor to justify direct or indirect discrimination (Cross and Others v. British Airways, IRLR 423 (2005)).

**Retirement**
The ADEA prohibits compulsory retirement based on age, although employers are free to have a voluntary early retirement incentive plan that is not forced upon employees. The exception to this is for an employer who is at least 65 years or age, employment in a bona fide executive or policy-making position for at least a two-year period immediately prior to retirement and entitled to an immediate non-forfeitable annual benefit package of no less than $44,000 (ADEA, Sec 631). The UK Regulations permit a compulsory age-based retirement however employers can only have a compulsory retirement age of less than 65 if such age can be objectively justified. Employees retain the right to request working past the employer’s normal retirement age (UK Regulations, Part 2, 7).

**Compensation and Relief**
The ADEA limits the monetary amount that a successful plaintiff can be awarded for unlawful discrimination. Any damages beyond actual physical damages are limited to liquidated damages and liability extends to both employers, who can be vicariously responsible for the acts of their employees, and individuals, who may be held personally liable (ADEA, Sec 626). The UK Regulations provide for unlimited maximum compensation for successful age-based discrimination claims (UK Regulations, Part 5, 38). Similar to the ADEA, the UK Regulations provide for both employer liability for the acts of employees as well as for individual liability (UK Regulations, Part 5, 35).

**Wavier of Rights**
The ADEA allows individual employees to waive their rights under the statute, provided the waiver is in writing, is clearly understood by the employee and specifically refers to ADEA-related rights and claims (ADEA, Sec. 626). Waivers are only allowed that deal with the past with no allowance of waivers of any potential future claims (ADEA, Sec. 626). Waivers must be accompanied by some consideration that has appropriate value and have a 7 day revocation period (ADEA, Sec. 626). Individual signing waivers must be advised of their right to consult an attorney and encouraged to do so although consultation is not required under the statute (ADEA, Sec. 626).

The UK Regulations also provide for waivers that must be in writing and allow for waivers of both past and, in certain circumstances, any future claims. There is no requirement that the employee signing a wavier receive any consideration nor is there any ability to revoke a wavier once is has been signed. However, prior to signing a wavier the individual has to have received independent legal counsel from an adviser who has a current contract of insurance or indemnity regarding her or his professional practice.

**The Significance and Implications of the UK Regulations Relative to the ADEA**
The UK Regulations have significantly broader scope than the ADEA relative to both the employers covered under the Regulations and the individual who receive protection under the Regulations. Certain employer behaviors related to the ages of job applicants
or employees that are not unlawful in the United States could easily result in a legal charge in the UK. In the United States, an employer could certainly decline to hire an individual or refuse to promote an individual because it is felt that such individual was “too young,” without any reference to experience and performance. Similarly, in the United States employers could refer to a specific employee as “junior” or refer to a group of employees as “just babies,” where as such behaviors and comments in the UK could be actionable. Jokes made in the workplace that relate to age, particularly older age, could constitute harassment, which is actionable under the UK Regulations but not expressly covered under the ADEA.

The UK Regulations also prohibit discrimination based on “perceived age,” so employer comments about how old an employee or applicant appears to be or any derogatory comments about “how old a person acts” could result in a course of action. The ADEA has no provisions that protect individuals based on their perceived age so actions can only be based upon the fact that an individual is actually age 40 or older. For example, an individual who is 38 years old who is denied a promotion or not hired because he allegedly is “too old,” has no course of action under the ADEA, regardless of whether or not the employer knew his actual age.

Criteria related to the hiring and promotion of employees needs to be carefully scrutinized to ensure that any requirement be specifically job-related. While this practice has been well-identified in the United States, particularly related to compliance with the Americans With Disabilities Act, the UK Regulations potentially extend courses of action here when “experience requirements” have not been documented to result in enhanced job performance. For example, an employer who requires that all applicants for a delivery position which involves driving have held a clean driving license for a minimum of 10 years may be accused of illegal age-based discrimination under the UK Regulations because such a requirement would have disparate impact on younger workers who may not be old enough to have been legally driving for 10 years. The employer would have a burden of proof that the 10 year experience requirement clearly distinguishes one group from another relative to specific job performance and/or ability to perform specific job requirements. Such a requirement would not provide any course of action under the ADEA.

Ironically, perhaps the most significant difference between the UK Regulations and the ADEA is the age of the laws. The UK Regulations are new and hence have neither a history of level of employer compliance nor any case history that has ruled on and interpreted their provisions. The ADEA, on the other hand, is 40 years old and has an extensive history that may provide some insights as to how the UK Regulations are to be received. In fiscal year 2005, the EEOC received 16,585 charges of ADEA-related discrimination, which represented 22% of the total of discrimination claims filed (EEOC, 2006). The EEOC resolved 14,076 of these charges and recovered $77.7 million in monetary benefits for the complainants (EEOC, 2006). Clearly, age-related discrimination in employment is not easily remedied nor is the passage of any law that prohibits such discrimination a guarantee that it will cease. While the UK has long-
standing laws that prohibit discrimination based on race and sex, the Regulations represent the first time that age-based discrimination is being outlawed.

As advances in medicine and medical technology, allow individuals to live longer, remain healthier longer, and continue to remain in the workplace for longer periods of time and the average age of our society increases, the average age of most employee groups will similarly increase. Consequently, it is likely that age-related discrimination charges will escalate. The fact that the UK Regulations represent a significant change in social and employment policy may result in a good deal of reluctance to fully implement age-blind employment practices or policies and/or ignorance of employers as to specifically what the law prohibits. United States employers doing business in the UK have the added responsibility of ensuring that any previous policies that may have been implemented related to the ADEA be revised in light of the far more stringent mandates issued under the new UK Regulations.

Ironically, however, the UK Regulations could result in dismissal of cases for which employers were formally charged under the ADEA. One of the most significant areas of age-based discrimination under the ADEA in recent years has been a reduction in benefits for older workers, particularly retirees or those choosing to retire under an early retirement incentive program. In 2005 the EEOC filed a string of lawsuits against school districts in Minnesota regarding their early retirement benefit plans that provided lesser benefits to older workers based on their age (EEOC v. Independent Sch. Dist. No. 2174 of Pine River, Minn; EEOC v. Independent Sch. Dist. No. 2134 of Wells, Minn; EEOC v. Independent Sch. Dist. No. 482 of Little Falls, Minn; EEOC v. Independent Sch. Dist. No. 2144 of Lindstrom, Minn). The cases resulted in judgments against the school districts and award of benefits to those affected employees. However, while such practices might ignite a claim of age-based discrimination under the UK Regulations, the Regulations protect individuals of all ages. Consequently such an early retirement incentive program that is only offered to employees at or above a certain age might result in charges of age-based discrimination by younger employees. Hence, the issues that a US employer might have to face in the UK relative to this increasingly popular practice are far more complex. Additionally, any sort of accommodation offered to older workers, such as flexible work options and schedules, which are strictly age-based and not simultaneously offered to younger workers, could be the basis for a legal challenge under the Regulations.

**Conclusion**

The above discussion merely highlights some of the challenges that US employers and other multinational employers may face relative to doing business in the UK under the new Regulations. US citizens working for US employers in the UK have traditionally received ADEA protection, which is predicated on the ADEA not violating any relevant laws of the host country. The new UK Regulations now provide further protection for any US citizen who works for a UK employer or a UK subsidiary of the US employer, or who applied for or assumed UK residency as part of a foreign assignment. Conversely, citizens of the UK who work for UK or US employers within the United States will now
have the ability to potentially be covered under the terms of both the ADEA and the UK Regulations.

The newness of the UK Regulations leave tremendous uncertainly as to how they will be interpreted by and enforced in the courts. Nonetheless, employers are well-advised to carefully scrutinize their existing employment practices and policies, many of which may be dependant or based on age, as well as make all managers and employees aware of changes to existing practices and policies to ensure compliance.
REFERENCES


Exploring the Motivational Benefits of On-line Formative Assessment in a College Classroom

by:

Thomas J. Keefe, Ph.D
Professor of Management

and

David Eplion, Ph.D.*
Assistant Professor of Management

School of Business
Indiana University Southeast
4201 Grant Line Road
New Albany, IN 47172
(812) 941-2269
tkeefe@ius.edu
deplion@ius.edu

Submitted April 30, 2007

*Author for correspondence.  deplion@ius.edu
ABSTRACT

Since 1999, the presenters have been using formative assessment in their classes by requiring on-line pretests in various formats. In that time, they have discovered that providing students with this type of formative assessment has had a number of benefits. Chief among them was the fact that students appeared to perform better on exams and in the class in general when the formative tests were required.

Encouraged by this finding, the authors decided to review the literature on formative assessment to find out why that might be the case. The literature review suggests that formative assessment provides three primary benefits: providing feedback for students, providing feedback for instructors, and motivating students. Armed with this information, the authors decided to test formal hypotheses.

Over the past two years, they have collected data from students in their upper level undergraduate business courses. The initial results suggest that formative testing has indeed had a positive impact on student performance. It further appears that there may be a motivational benefit to the students that most past research does not fully explore.

The authors will share their experiences in this session, and will also share the findings from their preliminary analysis of their data. It is hoped the presentation will inspire more thought about the motivating potential of requiring on-line formative assessment in the classroom.
AQPQ - What Undergraduate Only Institutions Do Differently

Dr. Loretta Cochran, Assistant Professor of Management
Dr. L. Kim Troboy, Associate Professor of MIS
Dr. Dave W. Roach, Professor of Management
School of Business, Arkansas Tech University
Russellville, Arkansas

For AACSB accredited institutions, the standards require that 90 percent of program faculty be academically or professionally qualified. However, determining the definition of academically and professionally qualified historically has been left to the individual institutions. This paper summarizes the findings of a survey of undergraduate accredited institutions and their policies on AQPQ. In the Fall 2006, AACSB International published two white papers as guidance for institutions. The results are reviewed in light of these guidelines.
AQPQ - What Undergraduate Only Institutions Do Differently

The Association to Advance Collegiate Schools of Business (AACSB) is the premier international accrediting body for business and accountancy programs. This organization first established standards over 86 years ago, with the most recent significant revisions released in 2004. Faculty qualifications, specifically for “Academically Qualified” and Professionally Qualified,” are required in Standard 10. Standard 10 is as follows:

*The faculty has, and maintains, intellectual qualifications and current expertise to accomplish the mission and to assure that this occurs, the school has a clearly defined process to evaluate individual faculty member’s contributions to the school mission.*

This is a related but separate issue from Standard 2, which is as follows:

*The school’s mission statement is appropriate to higher education for management and consonant with the mission of any institution of which the school is a part. The mission includes the production of intellectual contributions that advances the knowledge and practice of business and management.*

In the Basis for Judgment supporting documentation, AACSB notes several benchmarks for programs. First, academically or professionally qualified faculty must comprise at least 90 percent of full-time equivalent resources. Of those full time equivalent resources, 50 must meet the definition of academically qualified (AACSB, 2006a, pp. 42). Faculty, at the aggregate level, must maintain a five year portfolio of intellectual development from all three areas: pedagogical research, contributions to practice, and scholarship in the business specialties.

Establishing faculty qualifications is clearly in the purview of school. “The interpretive material in the standard provides guidance only” allows AACSB to leave practical application of this requirement to the school so that each institution can modify qualifications to best fit both the mission of the school and the spirit of Standard 10 (AACSB, 2006a, pp. 42). The necessary elements of a school’s policies regarding academically and professionally qualified faculty includes the minimum level required for factors such as education, experience, and work activities; the importance given to those factors; and the expected level of quality for each factor over a five year period (current review cycle).

**Academically Qualified**

In the discussion from Standard 10, six categories of educational attainment are presented as most likely scenarios for schools to qualify faculty (AACSB, 2006a). Educational background is seen as evidence that the faculty member is research qualified in their primary field. Categories one through four all reference a doctoral degree, with discussion including the degree field versus the area in which the individual teaches. Professional development and scholarship are generally accepted methods for closing said gap. Category five provides for a graduate degree in taxation to serve as academic
qualification to teach taxation; just as a graduate degree in law serves as academic qualification to teach business law and legal environment of business.

Category six is the category for those qualifications other than what is traditionally considered a terminal degree from a research program. Non-research doctorates, graduate students that are ABD (all but dissertation), and faculty members with hours above a masters all fall into this category. One caveat: those currently enrolled in doctoral programs have a three year qualification (instead of five). Faculty members in category six are considered academically qualified but should represent ten percent or less of total faculty resources.

**Professionally Qualified**

AACSB provides only limited guidance for determining professionally qualified faculty. While six general categories are outlined for academic qualification of faculty, the discussion of the standard includes only one paragraph for determining professionally qualified faculty. A master’s degree in a related field is expected along with relevant professional experience that is to be current at the time of hiring. It is emphasized that the institution being reviewed must provide adequate justification for professionally qualifying faculty.

Constancy of learning is the underlying theme for maintaining qualified faculty. What activities that are considered value-adding to the program should be tied directly to the school’s mission. Therefore, it is conceivable that two institutions with dramatically different missions could have substantially different faculty development activities.

**Graduate versus Undergraduate Only Programs**

A significant characteristic shaping the mission of a business school is the program level – undergraduate, graduate, or both. While the majority of schools accredited by AACSB have undergraduate and graduate programs, a healthy minority have undergraduate or graduate only programs. A recent review of the 549 AACSB accredited institutions found that 454 (84 percent) had both, 47 (8 percent) were undergraduate only, and 48 (8 percent) were graduate only.

In the expectations section of the standard, a differentiation between undergraduate and graduate accreditation is suggested. In the section dedicated to meeting the requirements of the standard, undergraduate only programs are expected to maintain at least 50 percent of faculty resources as academically qualified. This should be in line with the mission of the schools with the expectation of a greater percentage of academically qualified faculty resources for a school with graduate degree programs.

**Purpose of Study**

In early 2006, AACSB released a white paper entitled “Deploying Professionally Qualified Faculty: An Interpretation of AACSB Standards” (AACSB, 2006b). It expanded upon existing information regarding the determination of professionally qualified faculty. In light of this and other feedback received at accreditation meetings, the leadership at one university set out to develop its policies for academically and professionally qualified faculty.
As an undergraduate only accredited institution, the initial policy discussion included the determination that some differences existed with those schools that also had graduate programs in the expectations for Standard 10. With the majority of accredited schools including graduate programs, a lack of information for undergraduate programs regarding interpretation of the standard was identified. As a result, the 39 programs listed on the AACSB web site as “undergraduate programs only” were surveyed regarding their implementation of policies for academically and professionally qualified faculty.

Survey

As of January 2006, 38 schools in addition to the authors’ home institution were identified as having undergraduate accreditation. Three schools were excluded from the initial survey (two were military academies and one was an international institution). A request for the institution’s policy on academically and professionally qualified faculty was sent to the Dean’s office of each of the 35 remaining schools.

In the process of contacting the school, it was determined that eight schools listed as undergraduate only actually had additional graduate degrees. 15 responses from undergraduate only programs were received (55.5 percent) with policies at various stages of development (see Table 1).

Table 1: Prevalence of AQ/PQ Policies

<table>
<thead>
<tr>
<th></th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate Schools with AQ definition</td>
<td>12</td>
<td>80%</td>
</tr>
<tr>
<td>Undergraduate Schools with PQ definition</td>
<td>8</td>
<td>53%</td>
</tr>
</tbody>
</table>

Of the 12 programs with academically qualified definitions, all were very similar to the AACSB published expectations. They had a stated minimum number of work activities (publications, conference presentations, etc.) with 8 schools requiring at least two refereed (peer reviewed journal) publications in the most recent 5 years and 4 schools requiring at least one (average of 1.67 peer reviewed publication in a 5 year period). Only one school reported a formal point system, where different work activities garnered different weights; and only one other school weighted the “value” of the intellectual contribution by the acceptance rate of the journal.

The survey items were open ended items requesting information about each respondent’s operational definitions of academically and professionally qualified faculty. Specifically, the institutions were survey to see if they had defined their standards in terms of the six categories of academic qualification and professional qualifications in terms of graduate degree and experience. The items were dichotomous variables with a yes/no response to whether the element had been addressed in the policy. A summary of the frequencies appears below (Table 2).
Table 2: Responses to AQ/PQ Items

<table>
<thead>
<tr>
<th>“Yes” responses to the inclusion of the category from the Standard 10 Guidelines for Academically and Professionally Qualified Faculty.</th>
<th>Number (n=15)</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>AQ Category #1: A doctoral degree in the area in which the individual teaches.</td>
<td>11</td>
<td>73.33%</td>
</tr>
<tr>
<td>AQ Category #2: A doctoral degree in a business field, but primary teaching responsibility in a business field that is not the area of academic preparation.</td>
<td>6</td>
<td>40%</td>
</tr>
<tr>
<td>AQ Category #3: A doctoral degree outside of business, but primary teaching responsibilities that incorporate the area of academic preparation.</td>
<td>6</td>
<td>40%</td>
</tr>
<tr>
<td>AQ Category #4: A doctoral degree outside of business and primary teaching responsibilities that do not incorporate the area of academic preparation.</td>
<td>6</td>
<td>40%</td>
</tr>
<tr>
<td>AQ Category #5: A specialized graduate degree in taxation.</td>
<td>4</td>
<td>26.67%</td>
</tr>
<tr>
<td>AQ Category #6: Substantial specialized coursework in the field of primary teaching responsibilities but no research doctoral degree.</td>
<td>7</td>
<td>46.67%</td>
</tr>
<tr>
<td>PQ Minimal Academic Preparation to include Master’s degree in a field related to the area of teaching assignment</td>
<td>5</td>
<td>33.33%</td>
</tr>
<tr>
<td>PQ Minimal Work Experience (significance and depth) clearly defined.</td>
<td>4</td>
<td>26.67%</td>
</tr>
</tbody>
</table>

Discussion

There is a stark contrast between policies for academically and professionally qualified faculty. Most undergraduate institutions have guidelines that state the minimum initial educational qualification and current level of work activity for academically qualified faculty resources. While only half of the institutions reported having a policy for determining professionally qualified faculty, those resources can make up 40 percent of the faculty resources. AACSB standards clearly place the responsibility of operational definition of professionally qualified on the individual institutions.

AACSB published two white papers in November, 2006 focused on assisting institutions in interpreting the standards for academically and professionally qualified faculty (2006c, 2006d). Together, these position papers provide institutions with greater flexibility in faculty resources with regard to initial qualifications and maintenance of intellectual capital. An increased dependency on professionally qualified faculty is anticipated due to the predicted shortfall in business school graduates.

The resulting policy on academically and professionally qualified faculty is attached (see Appendix). It is important to note that although these operational
definitions have been established, the principle of continuous improvement prevails. A regular and thoughtful review of these practices is necessary to fulfill the spirit of the accreditation standards.

In addition, a regular survey of undergraduate institutions is needed. In the past two years 52 schools have, at one time, been classified as an “undergraduate only” AACSB accredited institutions. As of April 2007, only 37 remain, including 2 military academies and one international university. Twenty-five of these schools were classified as undergraduate only in January 2006 and at least one-third were private universities. Given the apparent fluid nature of accreditation, it is particularly important for undergraduate schools to have a core group of peer and aspirant institutions with a long term commitment to undergraduate programs.

A reasonable next step is to further investigate the unique characteristics of undergraduate only accredited institutions. A survey instrument is being developed to capture elements such as teaching load, research expectations, financial support, and other areas critical to the standards. It will be important to have a representative sample so that differences between graduate and undergraduate institutions may be examined.
References


Appendix

Minimum Standards for Maintaining ACADEMIC QUALIFICATIONS for the School of Business

A faculty member (including full and part time positions) is considered “academically qualified” by meeting one of the following standards over a five year period.

1. No doctoral degree, but substantial specialized graduate coursework in the field of primary teaching. The following situations apply:
   a. Be a student in an AACSB accredited business doctoral program; OR
   b. Have a specialized graduate degree in taxation or a combination of graduate degrees in law and accounting.
   c. Have a graduate degree in law when teaching courses in law, legal environment, or ethics.

2. Doctoral degree obtained within the previous five years, providing that:
   a. The degree is in the area in which the individual teaches (AACSB standards includes further elaboration of this definition); OR
   b. If the doctoral degree is not in the area in which the individual teaches, additional professional development is evident (specialized graduate coursework or intellectual contributions in a relevant business field).

3. Doctoral degree obtained more than five years previously; the individual is expected to demonstrate professional development via intellectual contributions which meet one of the following standards:
   a. Publish two referred journal articles; OR
   b. Publish one referred journal article, two proceedings (conference presentations with at least a published abstract), and two other intellectual contributions; OR
   c. Publish five proceedings (conference presentations with at least a published abstract) or the equivalent. [Note: certain items which fit the “other” definition may be substituted to meet this definition.]

All intellectual contributions MUST meet two tests:

- **Exist in public written form, and**
- **Have been subject to scrutiny by academic peers or practitioners prior to publication.**

“Other” intellectual contributions may include items such as articles in applied journals, articles in practitioner publications, research monographs, scholarly books, textbooks, chapters in books, paper presented at academic or professional meetings, faculty research seminars, book reviews, published cases with instructional materials, technical reports related to funded research projects, instructional software that is widely used, publicly available materials describing the design and implementation of new curricula.
Minimum Standards for Maintaining PROFESSIONAL QUALIFICATIONS for the School of Business

A faculty member (including full and part time positions) is considered “professionally qualified” by meeting ALL of the following criteria:

1. **Master’s degree** in a field related to the area of the teaching assignment.
2. **Professional experience** relevant to the teaching assignment, significant in duration and level of responsibility, and be current (within 2 years of most recent “in-field” employment) at **time of hiring**.
3. Maintain professional currency such as via part-time relevant practice (e.g. consulting, training, accounting practice) **OR** at least one intellectual contribution in the most recent three years.

**Notes from Committee Discussion:**

1. North Central guidelines specify **no less than** a field related master’s degree for all teaching faculty (in an undergraduate program).
2. AACSB requires that at least 90% of the faculty FTE be Academically or Professionally Qualified (with at least 50% being Academically Qualified).
3. Faculty can be professionally and academically qualified at the same time.
4. AACSB Standards reflect the expectation that ALL faculty members demonstrate activities that maintain the currency and relevance of their instruction.
5. Co-authorship of articles does not diminish its “value.” It is assumed that all authors have made a significant contribution to the article. Adding authors who made little or no contribution to the article is a breach of academic integrity.
6. Many of the schools surveyed with publication expectations of two referred journal articles (or more) did so with a (maximum) teaching load of 9 hours per semester.
7. While it is tempting to associate the requirements for Minimum Faculty Qualifications [AACSB STD 10] with those for Standard 2 and the school’s performance evaluation process, we have specifically NOT included any discussion of those functions within this document.
8. Most importantly, the committee recognizes the significant value of faculty mentors and research partners. Given the expected teaching load, it is only through the supportive nature of collaborative research that many of us are able to maintain our academic qualifications. Anything that can be done structurally or strategically to encourage this type of activity is to be encouraged – including facilitating cross-disciplinary research activity.
Addressing the Gender Gap in the Workplace

BY

GAIL DAWSON, PH.D

And

JUDY NIXON, PH. D.

Ph: 423-425-4160

The University of Tennessee at Chattanooga

College of Business Administration

615 McCallie Avenue

Chattanooga, TN 37403
ADDRESSING THE GENDER GAP AND STEREOTYPE THREAT IN THE WORKPLACE

When the topic of recruitment is discussed, several aspects come to mind. Hiring the right people probably is the most vital function that could determine the success or failure of an organization. It's no secret that exemplary employees mean profit and detrimental decisions create problems that consistently stay with the company. Sometimes those problems are linked to discrimination against race, but others could be a reflection of occupational segregation by gender. Occupational segregation by gender is thorough, pervasive and one of the most important and enduring aspects of labor markets nationwide.

Historical Perspective

Despite real advances since the early 1980's, in the earning ratio and in measures of occupational segregation, various women have become frustrated with the fairness of the labor market and have supported a campaign to alter the rules that govern it. According to a 1993 survey of 1,233 women and 710 men, 62 percent of the women have faced gender bias in their current positions. Sixty-nine percent has experienced language demeaning to women in their current jobs. A national study by the Families and Work Institute revealed that 39 percent of the women managers rated their opportunities for advancement as "poor" or "fair" compared with 16 percent of their male counterparts (Swiss, 1996). One might ask, "What do these figures have to do with gender gaps"? The surveys reflect that in light of the fact that equal opportunities across occupations are improving, the labor markets are still missing vital components.
First and foremost, in order to resolve a problem, one must start with the root of the problem. The number of women in the paid labor force has advanced steadily since the early 1800's, and from World War II its climb has been rapid. In 1900 fewer than one in five workers were women, while almost half are today. Yet occupational segregation by gender has diminished only slightly since 1900, and the ratio of female to male earnings remained stable from the 1950's to the early 1980's. Women have entered the labor force in unprecedented numbers but have not been treated as equals to men (Goldin, 1990). This is the reason why occupational segregation by gender has an important negative effect on how men see women as well as how women see themselves by reinforcing and perpetuating gender stereotypes. This, in turn, negatively affects women's status and empowerment and consequently many social variables such as mortality and morbidity, poverty and income inequality (Anker, 1998).

With the establishment of white-collar work from the early twentieth century, not only did women extend the period of their employment, but also most had the skills to enter any beginning position. With the replacement of intellect for strength and the increase in education, starting salaries between males and female achieved equity. The ratio of beginning wages in office work for males to that of females was one to one by 1940, but the ratio in manufacturing around 1900 exceeded two to one. Many of the new white-collar jobs had long promotional ladders, unlike those in manufacturing, and most women despite, their increase in work experience would not remain on the job long enough to receive promotions. As a result, employers instituted policies to bar women from certain jobs and men from others. Women's jobs were two types: dead-end
positions, such as typist and stenographer, and employment that involved promotion but relatively short ladders.

Although most men began at rather low-level jobs, such as mail boy and messenger, their earnings increased with time more than women's did because they were promoted to considerably higher positions. The denial of access to these ladders, despite the long tenure for many women, produced the large measures of "wage discrimination." The gender gap in earnings between men and women narrowed because of increased returns to education and decreased returns to strength, but the residual difference in earnings is harder to explain on the basis of differences in attributes (Goldin, 1990).

The gender gap in earnings narrowed, but occupational segregation has had and continues to have a negative effect on labor market efficiency and labor market functioning. When most women are effectively excluded from most occupations, human resources are wasted and consequently income levels are reduced, as many of the most skilled people are excluded from working in the occupation where they would be the most productive. The segregation of men and women into different occupations negatively affects the education and training of future generations. Decisions by parents, teenagers and schools regarding how much education to provide girls and boys, as well as which fields of study they should pursue, are based to a significant degree on labor market opportunities. This means that women's restricted labor market opportunities and lower pay for "female" occupations help perpetuate women's inferior position in society and the labor market into the next generation, thereby also preserving this important source of labor market inefficiency and inequality (Ankar, 1998).
Naturally, most of the research literature on occupational segregation by gender is embedded within a dissection of male-female pay differentials and the fact that "female" occupations have lower pay when compared to "male" occupations. Some authors even go so far as to say that occupational segregation is mainly of interest as a subject because of its effect on the female pay gap. While the proportion of the male-female pay differential virtually to gender segregation of occupations is hotly debated in the research literature, there is general agreement that it is one of its most important determinants. The low pay and incomes for women workers that accompany occupational segregation are becoming an increasingly important contributor to poverty and inequality in society as a whole. It is important to keep in mind that a high percentage of women head households in the world and that this percentage is increasing. It is also important to keep in mind that women generally spend a higher proportion of their income on children and family necessities as compared to men (Ankar, 1998).

When speaking of poverty and inequality, specifically, African-American and Latino women are the ones facing the greatest risk. Not only are these groups faced with occupational segregation due to gender, but they are also faced with racial discrimination. Women of color are increasingly responsible for supporting their families at a time when all individuals at the bottom of the income distribution are slipping further behind those at the top. The economic prospects for African American and Latinos women who have few marketable skills are especially bleak, as shifts in the industrial mix of the economy and the rising demand for highly educated workers pulling wages and employment rates downward for the unskilled. As a result, it is not surprising that African-American women are relatively scarce in studies of race and rising inequality in the labor market.
A literature search on race, gender and economic inequality exits within the interdisciplinary fields of African American studies, but these contributions have not been systematically incorporated into policy debates or writings on the impact of industrial restructuring on labor markets (Browne, 1999).

Since the mid-1970s, the economic position of young African American women, measured in terms of both earnings and employment, has declined relative to that of Caucasian women. This erosion occurred in all regions and for all educational groups but is most pronounced among college graduates and to a lesser degree, among women in the Midwest with a high school diploma or less education. The first dissolution analysis shows the significant contribution, first, of changes in the distribution of and the relative payoff to education and second of changes in employment structure to the erosion of African American women's relative earnings. Declines in institutional factors, union membership and the minimum wage, also stand out for their disproportionate effect on African American women, regardless of region or level of education. For college-educated women, occupational distribution and declining unionization appear to have been the greatest contributors to the decline in earnings, although the decomposition explains only one-third of the relative declines for this group. In the Midwest, African American women's increasing concentration in low-paying industries and declining unionization taken together explain more than half of the relative decline. The decomposition is most successful in explaining the declining wages in the Midwest; it reveals the source of 86 percent of the erosion of African-American women's earnings. This verifies that while we do not have the data to test directly, there are a number of credible explanations why African-American women may have been less successful than
Caucasian women in shifting from sectors that have typically employed them. Loss of employment in these sectors pushes African American women into sectors with fewer rules and regulations regarding hiring and promotion (Browne, 1999).

After taking a look at the journey of not only women, but also ethnic women, it may be tempting to conclude that racial ethnic women differ from Caucasian women simply by the addition of another variable namely, race. It would be a mistake; however, not to recognize the dialectical relation between Caucasian and racial ethnic women. Race, gender, and class interact in such a way that the histories of Caucasian and racial ethnic women are intertwined. Whether one considers the split between the family and outside institutions, or productive and reproductive labor, the situation of Caucasian women has depended on the situation of women of color.

Caucasian women have gained advantages from the exploitation of racial ethnic women, and the definition of Caucasian womanhood has to a large extent been cast ill opposition to the definition of racial ethnic women. Marxist-feminist theory and the internal colonialism model both recognize Caucasian men as the dominant exploiting group. However, it is equally important to emphasize the involvement of Caucasian women in the exploitation of racial ethnic people and the ways in which racial ethnic men have benefited from the even greater exploitation of racial ethnic women (Blumberg, 1991).

Women are very much aware of the consequences of occupational segregation by gender. They feel the effects not only ill the workplace, but also a trickle effect to the homes. One might ask, "Since women know there is a serious problem, why isn't more done to prevent it?" Sandra Bartlett, a real woman, but the use of a pseudonym used for
protection, gives her explanation. When Sandra was hired for her first job at an insurance company in 1961, women were required to sign in every morning. If they were late, they had to sign in with a red pen and men were not required to do the same. Given the fact that the newspaper ran separate ads for male and female candidates, Sandra considered herself lucky to have landed a job as an underwriter. Those were the days when interviewers without hesitation and without legal repercussions would tell her, "I'm sorry, you passed all the aptitude test, but we're going to hire a man instead of you because women have babies (Swiss, 1996)."

Many of the senior managers she met told her that the rules of work were clearer back then, when bias was openly sanctioned in their organizations. Today's moral subtle discrimination can make it more difficult to identify and thus to remedy. As one engineer suggests, "For the most part, gender discrimination is not overt. A person comes to realize it's there, lurking behind the doors of the men's room when one overhear comments made between men in the office (Swiss, 1996)."

Like Sandra, many women have, in the past, silently watched the gender tracking that often begins as soon as they walk into their first job. As the years go by, they wait in frustration for the CEO's equal opportunity message to filter down to line management; however, it seldom does. Those who hold the most direct power to change workplace standards are either so comfortable with them that they truly do not see their exclusionary effect on women, or they simply find the prospect of change too difficult or too threatening. The threat and even the reality of litigation for discrimination and sexual harassment has done little to change accepted corporate behavior. It has only pushed it underground a bit (Swiss, 1996).
To answer the question of why women do not speak up? The answer has everything to do with economic survival. Most successful women realistically cannot make waves and risk career jeopardy. They have already faced enough turbulence in their daily work lives. As one bank president observed, "Women learn not to complain because it's considered whining and it can only hurt their careers. But they live with a lot of frustration (Swiss, 1996)."

**Current Employment Data**

Many women can relate to Sandra, but as time progress, so does the need for change. According to the US Department of Labor, the number of white males in the labor force has dropped to 39.4 percent, down from 48.9 percent in 1976. More than 72 percent of new entrants into the workforce are women and minorities and more than half of the already existing US workforce are women and minorities. White males currently make up only 45 percent of America's workforce, so it is this group that will be most pressed to change attitudes and behaviors. In March 1991, the US Census Bureau released figures from its 1990 national census. During the last decade, the Asian-American population has more than doubled, and the Hispanic population has grown by 53 percent. Caucasians continue to decline as a proportion of the population, with only 6 percent growth, while the number of African-Americans increased by 13 percent and Native Americans (American Indians) by 37.9 percent. More than a third of the nation's growth during the decade of the 1980's from nearly 227 million to almost 249 million, came from immigration. That growth, primarily from Asians and Hispanics, is for the first time reflected in all regions of the country (Walton, 1994).
Legal Remedies for Gender Occupational Segregation

As a result of the changes taking place in our society, several clauses have been added to Acts that were enacted in the Civil Rights of 1964. In 1991, additions were made to the Civil Rights Acts of 1964. The 1991 law is basically a series of amendments to the 1964 law; however, it does contain some provisions unique to it. The Unlawful Employment Practice section contains a comprehensive statement regarding unlawful employment practices. Specifically, it is unlawful for an employer

1. "to fail or refuse to hire or to discharge any individuals, or otherwise discriminate against any individual with respect to his compensation, terms, conditions, or privileges of employment, because of such individual's race, color, religion, sex or national origin"; or
2. "to limit, segregate, or classify his employers or applicants for employment in any way which would deprive or tend to deprive any individual of employment opportunities or otherwise adversely affect his status as an employee because of such individual's race, color, religion, sex or national origin."

These two statements are the foundation of civil rights law. They are very broad and inclusive, applying to virtually all staffing practices by an organization. There are also separate statements for employment agencies and labor unions (Heneman, Judge & Heneman, 2000).

Since these laws have been enacted, will there be a total elimination of occupational segregation by gender? Although the number will continue to decrease, elimination is impossible. Men and women should be free to choose their occupation, and employers should have considerable freedom in hiring. This means that there will never be the same percentage female in each and every occupation; however, it still remains that female and male workers are very unequally distributed across occupations worldwide. The "female" occupations are very sex-stereotyped in terms of characteristics and skills. It is clear that effective freedom of choice is missing for many men and
women in the world. This means that equality of opportunity in the labor market is missing, and changing this should be the policy objective (Anker, 1998).

Both the research and the popular literature are mainly concerned about the gender segregation of occupations because this is felt to be an important aspect and determinant of women's disadvantage position in the labor market and society. Thus, occupational segregation by gender is almost always seen as a "female" subject by researchers, policy-makers and laypersons alike, with higher segregation seen as indicating a worse situation for women. While it is true that a higher level of occupational segregation by gender is generally associated with a poorer labor market for many working women, since it is generally associated with a reduced range of "female" occupations, gender segregation of occupations is not always bad for women or for men. One positive aspect of occupational segregation for women is that it helps protect some women from competition from another large group of workers (men). In recent years, this has been a valuable advantage, since job growth has been fastest in areas of the labor market where women's occupations are concentrated. In contrast, many countries have experienced job losses in production occupations where men dominate (Anker, 1998).

**Compensation Issues**

Although many female occupations are relatively low paid, have roughly little employment security, and have nearly little authority or career opportunities, they are jobs. It is a perplexity faced by women, whether it is better to have a poor quality job than no job at all. Now, many men, especially in industrialized countries, including those who have lost jobs in production occupations because of the globalization of trade, are now facing the same dilemma. It will be very interesting to see how many men in the future
will work in what are currently "female" occupations, and in the process reduce occupational segregation and break down gender stereotyping in labor markets and society (Anker, 1998).

**Summary**

Maybe women should look at the fact that at least they have a job. It is a fact that the economy, as well as organizations, has been undergoing changes. As the following describes, the underlying theme is that the "new organization" is becoming more flexible and more responsive to its environment. The old organization: jobs are permanent, the work force is relatively homogenous, quality is an afterthought and large corporations provide job security. The new organizations means jobs are temporary, the work force is diverse, continuous improvement and customer satisfaction are critical, corporations are drastically cutting overall staff (Sims & Veres, 1999). As a result, the statement of "having a job is better than not have a job at all", might be accurate.

The breaking of the psychological contract that used to exist between employer and employee has accelerated as international competition in the private sector and has prompted restructuring, downsizing, and rightsizing. This has and will continue to lead to a considerable amount of economic uncertainty, lack of security, and a regression to employee self-interest rather than organizational well being. The terms of the old employer-employee contract have become obsolete and unworkable in response to intense competitive pressures and globalization of markets and have been replaced by a new contract. The old contract was based on the idea that "I'll take care of you, if you take care of me", whereas the new contract is based on the assumption that "I'll take care of me for you, if you take care of you for me". Here, longevity, rank, and entitlement
have been replaced with contribution, mutual respect, and fit with values, cultures, direction, and goals (Sims et al, 1999).

Since women already have gender segregation as a disadvantage, it is essential for them to keep up with the changing times. In order to do this, women must be prepared for change, newness, and uncertainty. Although making predictions can be viewed as an exercise in futility, there is some evidence highlighting the issues with which women will need to concern themselves. The key to success, if it can be narrowed down to one statement is this: be prepared to make adjustments. Opportunities will abound for those prepared to accept and deal with the information age. Information technology, Supported by other changes in our society has permanently altered not only women's lives, but society as a whole. The new life requires a constantly evolving list of skills women must posses. Those women who embrace knowledge and continuously learn new skills will be the ones who thrive in the new organization and world; however, regardless of whether women are permanent or contingent, there are several skills that they will need to develop if they are to succeed in coming years. These are not the only skills women must develop, but they are very critical to success (Sims et al 1999).

In conclusion, the need for an increased focus on women's success has emerged in response to a number of changes and challenges they have faced in the past. More specifically, the ever-increasing complexity of the challenges facing organizations and the pace of change both signal the escalating pressure that will be and currently is brought to bear on women to either be proactive initiators to their own success or be left behind as marginal and unsuccessful contributors. Women have had a difficult road to
travel and they are still faced with many obstacles to come. To be proactive initiators of their own success in the twenty-first century, women must understand that as the economy and their world of work continues to change in response to increased globalization, technological upheavals, especially in the areas of information, telecommunications and computers, cultural diversity, more demanding customers and changing societal and organizational expectations, they too, will have to change. They can not expect for change to take place just because of the mistakes made in the past. They must go beyond the barriers faced in today's society and focus on understanding areas outside of their specialization. They must welcome change, accept it, master it, use it, and deliberately cause it. They must be proactive rather than reactive. So what, if their boss decides to go with the other guy rather than them. Deal with it and move on. They must be innovators rather than imitators. Don't let the challenges that held many ancestors back be the cause of not reaching today's goals. They must be willing to confront all constraints rather than simply accept them and the limitations on action that they impose when accepted. They must be willing to take risks rather than avoid them while striving to continually develop themselves and manage their careers. Most of all, they must be willing to make change happen, rather than dwell in the mishaps of before. With these things in mind, change will come, and what we know as "gender gap" today, will no longer be in existence.
REFERENCES


The AACSB Faculty Qualifications Standard: A Regional University’s Metrics for Assessing AQ and PQ

By

Carl Gooding
Professor of Management
Jacksonville State University

Richard Cobb
Professor of Management
Jacksonville State University

William Scroggins
Professor of Finance
Jacksonville State University

May 1, 2007

Abstract

This paper describes how an AACSB accredited business school at a regional university assesses individual faculty members to determine who is and who is not “academically” or “professionally” qualified in accordance with the Standards of AACSB International. This schema has been developed and refined by the authors and their faculty colleagues over a three-year period. None of the ideas presented herein are particularly unique. One of the authors who has substantial experience as a member of AACSB accreditation committees visitation teams developed our basic approach as an amalgamation of concepts garnered from these experiences. We do not offer this approach as a prescription for any other business school, but rather as information to assist the school in developing its own approach consistent with its mission.
The AACSB Faculty Qualifications Standard: A Regional University’s Metrics for Assessing AQ and PQ

The Relevant Standards:

AACSB Standard #10: The faculty has, and maintains, intellectual qualifications and current expertise to accomplish the mission and, to assure that this occurs, the school has a clearly defined process to evaluate individual faculty member’s contributions to the school’s mission.

AACSB Standard #2: The school’s mission statement is appropriate to higher education for management and consonant with the mission of any institution of which the school is a part. The mission includes the production of intellectual contributions that advance the knowledge and practice of business and management.

There is a “Basis for Judgment” narrative for each AACSB Standard. These narratives provide guidance for the school to evaluate its status vis-à-vis the standards. Regarding faculty qualifications, the Standards are not precisely explicit in that business schools are expected to develop operational definitions of “qualified” that are congruent to the mission of the business school. Further, the school should have established clear expectations regarding the intellectual contributions of individual faculty members to provide assurance that the faculty, in the aggregate, produces a “portfolio of intellectual contributions … from a substantial cross-section of faculty in each discipline”.

The operational criteria for academic (AQ) and professional (PQ) qualifications, as specified below, are intended to reflect carefully the intent of the AACSB standards and to provide sufficient guidance for faculty members to assure that there are very few, if any, ambiguities regarding expectations. Our goal as a business school is to always have more than 50% of FTE faculty as AQ and 90% as AQ or PQ during any rolling five-year period.
Violence in the Workplace: A Continuing Issue

R. Bryan Kennedy, Athens State University
Brenda Harper, Athens State University
Sam Campbell, Athens State University
Susan D. Herring, Athens State University
Linda Shonesy, Athens State University

Athens State University
300 North Beaty Street
Athens, AL 35611

Address questions or comments to:
Bryan Kennedy
(256) 233-8259
bkenndy@vallnet.com

Abstract

This paper presents statistical information collected on violence in the workplace from a study conducted at Athens State University during 2005-2006. The results of the ASU survey are compared to statistical data from the Bureau of Justice Statistics National Crime Victimization Survey and the Bureau of Labor Statistics.
Violence in the Workplace: A Continuing Issue

Violence in the workplace is a serious safety and health issue that we cannot ignore any longer. According to the Bureau of Labor Statistics Census of Fatal Occupational Injuries (CFOI), there were 551 workplace homicides in 2004 in the United States, out of a total of 5,703 fatal work injuries (U.S. Department of Labor Occupational Safety & Health Administration, 2005). Occupational Safety and Health Administration (OSHA), defines workplace violence as “Violence or the threat of violence against workers. It can occur at or outside the workplace and can range from threats and verbal abuse to physical assault and homicide” (OSHA Fact Sheet, 2007).

In 1986, a postal worker killed 14 of his fellow co-workers in Oklahoma City, this incident along with multiple others, brought workplace violence to the forefront of the American Public. From this incident and other subsequent incidents involving postal workers and homicide, the phrase “going postal” entered the American lexicon and a myth was created (U.S. Federal Bureau of Investigation, 2004; Beck & Schouten, 2000; Temple, 2000).

“Prior to 1980 such terms as ‘violence in the workplace’ and ‘occupational homicide’ did not exist” (Muchinsky, 2000, p. 296). This is not to say that workplace violence or occupational homicide were non-existent until the 80’s; however, the severity of the problem was not realized by the public until media coverage of the Oklahoma City and other events brought it to the public’s attention. This awareness brought forth a demand for research on violence in the workplace to provide the government and organizations with information to prevent and deal with the problem. This demand for information and solutions continues today (Griffin & O’Leary-Kelly, 2004; U.S. Federal Bureau of Investigation, 2004; Allen, 2003; Lipscomb, Silverstein, Slavin, Cody, & Jenkins, 2002).

Some studies conclude that workplace violence is increasing in severity (Kelleher, 1996 as cited in Muchinsky, 2000). Other studies find that the increases are occurring in some sectors or areas while violence is decreasing overall (Lipscomb et al., 2002; Gilmore, 2006), and still others conclude that workplace violence is decreasing (Duhart, 2001; Beck & Schouten, 2000).

The research study discussed here was conducted to examine these trends by investigating the prevalence of workplace violence experience among a selected population and comparing the data gathered through this survey with data from the Bureau of Justice Statistics National Crime Victimization Survey and the Bureau of Labor Statistics.

Study Methodology

The authors developed a short survey instrument designed to gather data on the prevalence of individual experiences of workplace violence. The survey asked participants to identify whether they had seen or experienced any of the following in their place of work over the past three to five years:

- violence involving a deadly weapon (knife, gun, etc.)
- violence involving physical force (hitting, shoving, etc.)
- verbal violence or abuse (threats, yelling, harassment, etc.)
- deliberate damage to company property or equipment
From 2005-06 academic year, students in selected business classes at Athens State University completed the survey. The survey was distributed following a class lecture and discussion regarding workplace violence. Students were divided into groups for group/individual thought and discussion, and then asked to complete the survey form.

**Statistical Findings**

A total of 335 students responded to the survey. Of these, 14.6% had witnessed violence involving a deadly weapon. Over one-quarter of the respondents (27.5%) had witnessed instances of physical violence not involving a deadly weapon. Just over half (54%) had witnessed instances of harassment, threats, yelling, or other verbal abuse; and 23.6% witnessed instances of deliberate damage to company equipment. The results are summarized in Table 1.

<table>
<thead>
<tr>
<th></th>
<th>Total No.</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Respondents</td>
<td>335</td>
<td>100%</td>
</tr>
<tr>
<td>Violence with Deadly Weapons Present</td>
<td>49</td>
<td>14.6%</td>
</tr>
<tr>
<td>Physical Violence (No Deadly Weapons Present)</td>
<td>92</td>
<td>27.5%</td>
</tr>
<tr>
<td>Harassment, Threats, Yelling, or other Verbal Abuse</td>
<td>181</td>
<td>54.0%</td>
</tr>
<tr>
<td>Damage to Company Property or Equipment</td>
<td>79</td>
<td>23.6%</td>
</tr>
</tbody>
</table>

*Table 1. Athens State University Workplace Violence Survey Breakdown*

**Comparison with National Data**

The Athens State utilized a convenience sample and the questions do not exactly replicate those of other reliable surveys, making a side-by-side comparison difficult. However, the National Crime Victimization Survey (NCVS) utilizes two categories that invite comparison: aggravated assault, which is comparable with violence with a deadly weapon; and simple assault, which is comparable to physical violence and verbal abuse. See Figure 1 for a breakdown of the NCVS results (Duhart, 2001). In the first comparison, 14.6% of Athens State respondents had witnessed violence involving a deadly weapon, as compared with 18.6% nationwide who experienced aggravated assault. Considering the category of simple assault, 27.5% of the Athens State respondents had witnessed or experienced physical violence and 54% had witnessed or experienced verbal abuse, compared with 75.2% who experienced simple assault nationwide. It should be noted that the overall violent crime rate in Alabama falls slightly below the national average, with 2004 figures showing a rate of 426.6 compared with the national average of 465.5 (U.S. Department of Justice, Bureau of Justice Statistics, *Crime trends*).
The survey category dealing with damage to company equipment or property cannot be compared to other statistics due to a lack of available information on the subject. Other than a statement in a special report from the Federal Bureau of Investigation (2004), which states that the loss from workplace violence to U.S. businesses is in the billions, no statistical data could be found. This indicates a need for further research into the destruction of company property and equipment resulting from workplace violence to establish the extent and severity of economic loss to American industry and business.

In a special Bureau of Labor Statistics report released in 1998, Greg Warchol stated that from 1992-1996 there were a yearly average of 2 million incidents of workplace violence with a yearly average of 1.5 million simple assaults (www.ojp.usdoj.gov.). In a second special report released in 2001, Detis T. Duhart stated that, from 1993-1999, the yearly averages were 1.7 million incidents of workplace violence and 1.3 million simple assaults (Duhart, 2001). Duhart also stated that workplace violence decreased by 44% while all violent crime in the U.S. decreased by 40% over the same period.

In viewing information from the Bureau of Justice Statistics on crime victimization between 1996 and 2003, statistics indicate that the percentage of workplace victimizations has remained fairly constant, ranging from a high of 16.8% in 1996 to a low of 14.7% in 2003. At the same time, the total number of violent crimes decreased from a high of 8.3 million in 1996 to a low of 4.923 million in 2002 with a slight increase to 4.949 million in 2003 (U.S. Department of Labor, Bureau of Justice Statistics, 2002-2005). This indicates an overall continued fall in the total number of workplace violence incidents.

**Policies, Procedures and Protection**

In recognizing workplace violence as a problem many scholars, organizations, associations, and institutions state that the key to finding solutions to this problem lies in developing, implementing, and continuously improving policies and procedures for prevention of and managing workplace violence (Montgomery & Cook, 2005; Griffin & O’Leary-Kelly, 2004; U.S. FBI, 2004; DelBel, 2003; U.S. OSHA, 2002; Lipscomb et al.,
What can employers do to help protect their employees? According to OSHA, (2007), “the best protection employers can offer is to establish a zero-tolerance policy toward workplace violence against or by their employees”.

- Provide safety education for employees so they know what conduct is not acceptable, what to do if they witness or are subjected to workplace violence, and how to protect themselves.
- Secure the workplace. Where appropriate to the business, install video surveillance, extra lighting, and alarm systems and minimize access by outsiders through identification badges, electronic keys, and guards.
- Provide drop safes to limit the amount of cash on hand. Keep a minimal amount of cash in registers during evenings and late night hours.
- Equip field staff with cellular phones and hand-held alarms or noise devices, and require them to prepare a daily work plan and keep a contact person informed of their location throughout the day. Keep employer provided vehicles properly maintained.
- Instruct employees not to enter any location where they feel unsafe. Introduce a “buddy system” or provide an escort service or police assistance in potentially dangerous situations or at night.
- Develop policies and procedures covering visits by home health-care providers. Address the conduct of home visits, the presence of others in the home during visits, and the worker’s right to refuse to provide services in a clearly hazardous situation.

In addition, as Smith points out (2002), workplace violence policies and procedures can only be effective when they are shared with all employees and implemented consistently, fairly, and promptly.

**Conclusion**

The study conducted at Athens State, in which the majority of respondents reported experiencing some level of violence in their work environment, illustrates the continuing prevalence of workplace violence. Regardless of whether the national trend is increasing or decreasing, the number of violent incidents, the cost to individuals and businesses, and the lack of a safe and healthy work environment are not, and should not be, acceptable to the American public. According to the Department of Labor, “The Occupational Health and Safety Act’s (OSH Act) General Duty Clause requires employers to provide a safe and healthful workplace for all workers covered by the OSH ACT” (U.S. OSHA, 2002). All employers should seek to provide a similar, safe environment for all employees. Our intent of this paper was and is to enlighten the public of an awareness of workplace violence and prayerfully become involved in preventive measurements.
References


Qualitative and Quantitative Research: How to Choose the Best Design

Greg L. Lowhorn
Regent University

Introduction

It is often difficult to choose between quantitative and qualitative research design. At times, a researcher may choose a design because he or she is more familiar with one method or the other or a colleague recommends a particular design. However, our research will be more helpful if we make our decision based on well-considered, suitable design rather than simply choosing a design that is more familiar or comfortable to the researcher. The purpose of this paper is to introduce graduate students and new researchers to quantitative and qualitative research design and to help them choose the best method based on the type of information needed and analytical capability.

Quantitative Design & Analysis

*Quantitative Research* establishes statistically significant conclusions about a population by studying a representative sample of the population.\(^1\) The population consists of the entire group being studied. It does not matter if the population is broad or narrow, only that it includes every individual that fits the description of the group being studied.

Since it is impractical to conduct a census (include everyone in the population) because of constant turnover and resource constraints, a representative sample is chosen from the population. If chosen properly, the sample will be statistically identical to the population and conclusions for the sample can be inferred to the population.\(^2\)

Quantitative research usually is one of two types: experimental or descriptive. Experimental research tests the accuracy of a theory by determining if the independent variable(s) (controlled by the researcher) causes an effect on the dependent variable (the variable being measured for change).\(^3\) Often, surveys, correlation studies, and measures

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of experimental outcomes are evaluated to establish causality within a credible confidence range.

Descriptive research measures the sample at a moment in time and simply describes the sample’s demography. Although this is not seen as a statistically robust or difficult exercise, a good description of the variables helps the researcher evaluate the statistical output in the proper context.⁴

Some researchers think that quantitative research is better than qualitative research at establishing causality because of the precise measurements and controlled environment of experiments; however qualitative studies can also be used to establish causality but with less external validity. Laboratory experiments are used when all extraneous variables need to be controlled so that the specific action and effect of the independent variable can be controlled. In addition, it may be important to be able to replicate the study and a laboratory setting makes these things possible. Field experiments are conducted when it is important to measure what the research element actually does, rather than what they say they will do. As can be seen with concept studies, what a person says they will do and what they actually do can be very different.⁵

Reliability and Validity

Reliability is the ability of separate researchers to come to similar conclusions using the same experimental design or participants in a study to consistently produce the same measurement.⁶ For example, a person who takes a risk toleration survey will achieve the same score regardless of whether he or she takes it in the morning or evening, in January or July, etc.

Validity refers to the ability of an instrument to measure what it is supposed to measure.⁷ If I conducted a survey to measure the degree of financial risk a person was willing to tolerate and the survey measured the respondent’s IQ instead, it would not be valid.

Internal Validity refers to the veracity of the study, how well it was constructed and run, accuracy of definitions and theories employed, accurate measurement of variables, and the researcher’s degree of confidence that the change in the dependent variable was effected by the independent variable.⁸

External Validity is a study’s ability to have the results generalized to the population.⁹ In quantitative studies this is done by ensuring that sampling was done in an appropriate way, such as randomizing selection so that every element

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in a population has a chance to participate or to use selective techniques, such as stratified or snowball sampling, to ensure that various groups are adequately represented. The elimination of extraneous variables as causative factors increases external validity.

Qualitative Design & Analysis

**Qualitative Research** describes an event in its natural setting. It is a subjective way to look at life as it is lived and an attempt to explain the studied behavior.

Rather than design an experiment and artificially control the variables, qualitative researchers use anthropological and ethnographic methods to study the participants. As little intrusion as possible should occur in qualitative research and a researcher will frequently observe the participants unnoticed.

Instead of providing a broad view of a phenomenon that can be generalized to the population, qualitative research seeks to explain a current situation and only describes that situation for that group. Since only a current situation is observed, all qualitative research is done in the field. A possible exception is the focus group, which is conducted with 3-10 persons and uses a script of questions. The moderator asks the questions and the recorder records the responses. Although a focus group is conducted in a controlled environment, the open ended questions and lack of rigid sample selection make it seem more like a field exercise.

Whereas quantitative research seeks to validate a theory by conducting an experiment and analyzing the results numerically, qualitative research seeks to arrive at a theory that explains the behavior observed. In this way, it can be said that quantitative research is more deductive and qualitative research is more inductive.

Reliability and Validity

As in quantitative research, the ability to reproduce results is important in qualitative research.

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Internal validity is automatically established in qualitative research because the group acts as its own point of reference.¹⁷

External validity cannot be established in the traditional sense with qualitative sense because it is not trying to reach a general conclusion about the population. Instead, validity for qualitative research is best described as rigorous, credible, and trustworthy.

Design and Study Location

Depending upon the researcher’s need for objectivity, location and type of experiment can be chosen in order to maximize validity. The following grid shows when each type of design is compatible with each type of location/method.

<table>
<thead>
<tr>
<th></th>
<th>Laboratory</th>
<th>Field</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantitative</td>
<td>Yes, control needed, causality can be established</td>
<td>Yes, observation, control not needed, correlation</td>
</tr>
<tr>
<td>Qualitative</td>
<td>No (except for similarities with focus groups)</td>
<td>Yes, all observations are in the field, explain current phenomenon</td>
</tr>
</tbody>
</table>

A Practical Example

To illustrate different approaches, consider the example of a company experiencing a sudden increase in turnover. The manager is unsure why turnover has suddenly spiked and commissions a study to determine its cause.

If a researcher wants to determine the cause of the increased turnover, he or she may analyze the situation differently depending on the research method chosen.

Quantitative: The researcher would start by gathering demographic data so he or she could describe the employee pool. Then, a data gathering instrument such as a

survey may be used to ask specific questions about personal characteristics, cause for terminating employment, etc. The data would be numerically analyzed to see if a correlation existed between variables and, if so, regression may be used to predict future turnover based on the presence of the same independent factors (variables) that were studied.

**Qualitative:** If qualitative research methodology was chosen, the researcher may choose to conduct a case study, using personal interviews and observation to try to determine the cause(s) of increased turnover. Since ethnographic considerations are taken, the researcher tries to determine this group’s version of reality, rather than accepting one generic version of reality like the quantitative researcher would do. Since this is a study about why *this* company has experienced an increase in turnover, the results could only be inferred for this company or, at the most, to companies that are very much like this one.\(^{18}\)

**Conclusion**

Depending upon the desired outcome of the research, social scientists may choose between quantitative or qualitative designs. Since they seek to explain events from different perspectives, both are valid ways to evaluate a phenomenon in the proper context. By examining the current situation, the research question, and the critical factors of each design, the researcher can make a more informed choice and enhance both reliability and validity of the study.

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Instructional Technology Applications in Finance Classrooms

Samanta B. Thapa
Department of Finance
Gordon Ford College of Business
Western Kentucky University
Bowling Green, KY 42101
E-mail: samanta.thapa@wku.edu
Tel. (270) 745-2926

Indudeep Chhachhi
Department of Finance
Gordon Ford College of Business
Western Kentucky University
Bowling Green, KY 42101
E-mail: Indudeep.chhachhi@wku.edu
Tel. (270) 745-2928

Cathy Carey
Department of Economics
Gordon Ford College of Business
Western Kentucky University
Bowling Green, KY 42101
E-mail: cathy.carey@wku.edu
Tel. (270) 745-6401

Kam C. Chan
Gordon Ford College of Business
Western Kentucky University
Bowling Green, KY 42101
E-mail: Johnny.chan@wku.edu
Tel. (270) 745-2977
Instructional Technology Applications
In Finance Classrooms

Abstract

The use of instructional technology (IT) is becoming increasingly important. With the explosive growth of information technology worldwide, universities are under tremendous pressure to integrate its use in the classrooms. Finance offers a wide variety of opportunities for the productive use of technology in the classroom. We conduct an online survey concerning IT use in the classroom of finance faculty across the U.S. Our study has several contributions. First, our research highlights where finance faculty stand with regard to integrating technology into the classroom learning experience by documenting the way in which technology is being used. In addition, our results provide information on the perceptions of the faculty regarding the effectiveness of this technology relative to the personal costs involving in using such technology. We find that finance faculty value IT and believe it is effective in raising student performance; however, they tend to adopt only lower and midlevel technologies and do not take advantage of the higher technology tools available to them. Certain demographics of the faculty significantly affect their choice to use IT in the classroom. The implication of these results sheds light on why faculty use technology at the level they currently use it.
Does the Sarbanes-Oxley Act Promote Ethics in Corporate Governance?

Philip H. Siegel
School of Accounting Florida Atlantic University
Boca Raton Florida
And
Olufemi E. Ojo
College of Business
Florida Atlantic University
Boca Raton Florida

Course: Advanced Accounting Information Systems (ACG 4675)
Table of Contents

Introduction ......................................................................................................................................3

Ethical Issues in Corporate Failures................................................................................................4

  Excessive Concentration of Power in CEOs..................................................................................5

  Questionable Selection, Quality, and Dependence of Board ..........................................................5

  Possible Conflicts of Interest among Board members and Management .......................................6

  Inappropriate Composition and Operation of Audit Committees ..................................................7

  Earnings Manipulation, Fraud, and Falsification of Accounting Records ....................................8

  Impairment of Auditors’ Independence ......................................................................................8

Aspects of the Act that promote Ethics in Corporate Governance ..................................................9

  Mandatory Code of Ethics for Management ...............................................................................9

  Enhanced Authority, Role, and Independence for Audit Committees ..........................................10

  Imposition of Corporate Responsibility for Financial Reporting and Resolution of
  Conflicts of Interest on Board and Management .....................................................................11

  Improved Independence of Auditors ...........................................................................................12

  Empowerment of Employees ......................................................................................................13
Introduction

Ethics, as a concept, is often difficult to define because people view the concept of ethics in different ways. According to Mintz and Morris (2007), ethics are acceptable standards of behavior that define how people ought to act (i.e., prescriptive), not how people really act (i.e., descriptive). They are therefore principles or rules that guide people on what is considered right or wrong. Ethics, in corporate governance, refer to moral values, professionalism, business legitimacy, integrity, competence and prudence (i.e., due care), equity, and fairness (cf. Dorweiler and Yakhou, 2005; Tipgos and Keefe, 2004; Mintz and Morris, 2007; and Koestenbaum, Keys, and Weirich, 2005).

The Sarbanes-Oxley Act (Act) was passed in 2002 to correct, among other things, ethical issues in corporate governance that caused the collapse of corporations such as Enron, ImClone, WorldCom, Global Crossing, Adelphia, and Tyco (Ryan, 2005; Tipgos and Keefe, 2004; McLean, 2005; and Guerra, 2004).

There is however a controversy about whether or not the Act has a positive impact on ethics in corporate governance. Petra (2006), Sama and Shoaf (2005), and Koestenbaum, Keys, and Weirich (2005) argue that the Act does not promote ethics in
corporate governance; neither does it prevent future corporate failures. The act merely provides a way to handle unethical acts within a corporate environment. They concluded that only corporate leaders, not the Act, could create and sustain ethics that will ultimately prevent corporate fraud.

Tipgos and Keefe (2004), however, contend that provisions of the Act promote ethics in corporate governance. They note that the Act enhances the independence of board of directors and audit committees, reduces conflicts of interest among board members and management, and empowers auditors and employees. They point out that the Act strengthens internal control systems, promotes transparent financial reporting, discourages earnings manipulation, fraud, and falsification of accounting records, and could have prevented the unethical corporate practices that caused the collapse of Enron, ImClone, WorldCom, Global Crossing, Adelphia, and Tyco.

The purpose of this paper is to examine how the Act impacts ethics in corporate governance. It examines ethical issues in corporate failures and reviews aspects of the Act that promote ethics in corporate governance. It also identifies limitations of the Act in promoting ethics in corporate governance, and presents a summary and conclusion.

**Ethical issues in Corporate Failures**

Smith (as cited in Verschoor, 2004) contends that market forces will result in more efficient markets if a personal guide of acceptable standards of behavior, i.e., conscience or ethics, restrains self-interest. Ethical issues in corporate failures include excessive concentration of power in Chief Operating Officers (CEOs); questionable selection, quality, and independence of board of directors (board); and possible conflicts of interest among board members and management. They also include inappropriate
composition and operation of audit committees; earnings manipulation, fraud, and falsification of accounting records; and impairment of auditors’ independence (Ryan, 2005).

Ethical issues in corporate failures include excessive concentration of power in Chief Operating Officers (CEOs); questionable selection, quality, and independence of board of directors (board); and possible conflicts of interest among board members and management. They also include inappropriate composition and operation of audit committees; earnings manipulation, fraud, and falsification of accounting records; and impairment of auditors’ independence (Ryan, 2005).

**Excessive Concentration of Power in CEOs**

Ray (2005) indicated that the separation of dispersed owners of corporations from management tends towards inattentiveness, results in excessive concentration of power in CEOs, and causes corporate failures. Ryan (2005) argues that prior to the Act, CEOs, with their limitless and unchecked power, were influencing the composition of their boards and audit committees, allocating grossly disproportionate executive compensations to themselves and their docile board members, and engaging in earnings manipulation, fraud, and manipulation of accounting records.

Ryan (2005) reports that CEOs were responsible for 72 percent of financial statement fraud and accounting failures between 1998 and 2003 (Committee of Sponsoring Organizations of the Treadway Commission [COSO], 2004). The excessive concentration of power in CEOs resulted in Tyco CEO’s indiscriminate acquisition of
200 companies around the world, lavish personal spending of corporate funds and concealment of the corporation’s poor operating performance. WorldCom board’s also approved of enormous personal loans to the corporation’s CEO.

**Questionable Selection, Quality, and independence of Board**

The quality of performance of a board depends on the character of its individual members. If a CEO influences or determines the membership of a board, then the board will likely consist of the CEO’s friends and family members, i.e., a board that lacks the experience and independence to exercise its oversight authority over the CEO. Petra, (2006) argues that before the Act, dominating and powerful CEOs were in control of the nomination process for their board. CEOs were hiring their board instead of board hiring CEOs. G, therefore, the board will always concede to powerful CEOs that appoint them and who could possibly remove them from future slots of board nominees. Ray (2005) notes that a passive and rubber-stamping board, that owes its allegiance to the CEO, rather than investors, will create a weak corporate governance, yield to pressure and demand of the CEO, and fail to exercise appropriate ethical responsibility).

COSO (2004) identifies boards that are dominated by insiders and “gray” directors (outsiders who have personal or family ties with the corporation or management) as a major cause of financial statement fraud. Petra (2006) traced the collapse of Enron, WorldCom, and Global Crossing to board composition members that lacked impendence from management thereby failing to fulfill their oversight responsibility. Ryan (2005) also linked the collapse of Adelphia to a board consisting of family members nominated by the CEO, i.e., a board that lacked the independence to exercise any oversight function.
Dorweiler and Yakhou, (2005) point out that the key ethical issues are the selection, quality, and independence of board members as well as the corporation’s conception of its board independence, board’s access to management, board’s size, and compensation policy for board members.

Possible Conflicts of Interest among Board members and Management

Mintz and Morris (2007) note that a conflict of interest arises in corporate governance when private or personal considerations affect an officer’s judgment and decision. Prior to the enactment of Sarbanes-Oxley, most board members had consulting, advisory, or business relationship with corporations on whose board they sit. These relationships created conflicting roles that ultimately affected board’s judgments and fairness of decisions.

Ray (2005) argues that the negative impact of conflicts of interest among board members contributed significantly to management fraud and accounting failures. He points out that directors and management owned about one-third of the equities in corporations involved in financial statement fraud, with CEOs personally owning about 17 percent. Ryan (2005) similarly traced Enron’s collapse to the board’s decision to suspend the corporation’s policies on conflicts of interest and code of ethics, and its subsequent involvement in fraud, concealment, and impenetrable creative accounting. He linked Adelphia’s collapse to the board’s practice of awarding contracts to itself and its use of the corporation’s funds for exorbitant personal purchases. Ryan (2005) also associated WorldCom’s collapse to its passive board that was massively enriched by the fraud perpetuated by the corporation’s CEO.
Inappropriate Composition and Operation of Audit Committees

The ability of a corporation to engage in financial statement fraud and earnings manipulation depends on the composition and operation of its audit committee. (Yahoos and Dorweiler, 2005) report that the power of CEOs, before Sarbanes-Oxley, extended to the composition and activities of audit committees.

An audit committee, Grace (2005) holds that consists of members personally selected by the CEO, lacks independence and well-defined responsibilities to engage in effective oversight of management actions and conduct. He provides evidence that weak audit committees and non-independent boards are a significant cause of poor corporate governance that has lead to corporate failures. He concludes that the poor quality of audit committees and their inappropriate operations as major causes of corporate failures. He reported that these audit committees either meet infrequently or not at all. In addition, 65 percent of the sampled boards did not have any financial expert.

(Mintz and Morris, 2007) argue that a dominating and powerful CEO often determines the membership of the corporation’s board and audit committee. This process may result in a board and audit committee that lacks the independence and experience necessary to exercise appropriate oversight functions. Such corporations frequently have a weak internal control structure, earnings manipulation, and financial misstatement.

Impairment of Auditors’ Independence

External auditors of most corporations prior to Sarbanes-Oxley were involved in auditing as well as accounting, tax, and other consulting services for same corporations they audit (McLean, 2005). These responsibilities could impair the auditors’
independence thereby causing conflicts of interest. Romano (2005) found that auditors were overlooking questionable transactions and accounting malpractices in corporations because of high non-audit service fees they were receiving from these corporations.

Guerra (2004) has noted that a compromised auditor has a limited capacity and authority to challenge management and will likely condone the breach of fiduciary duties by both management and board). He reported that a majority of audit reports were issued during the fraud period of several corporations with 55 percent of such reports containing qualified opinion only in the last year of the fraud. According to his study, external auditors were either allegedly involved in the fraud (30 of 56 cases) or were negligent in the audit (26 of 56 cases).

**Aspects of the Act that promote Ethics in Corporate Governance**

Sarbanes-Oxley mandates a code of ethics for management. It specifies measures that enhance the authority, role, and independence of audit committees. The act designates corporate responsibility for financial reporting and resolution of conflicts of interest on board and management. It also established standards that may impacts on independence of auditors as well as empowering employees.

*Mandatory Code of Ethics for Management*

Koestenbaum, Keys, and Weirich (2005) explain that investors’ trust in a corporation is based on a strong and viable corporate control system and a code of ethics that aligns the corporation’s long-term interests with those of stockholders. The Act requires a corporation to file a disclosure that it has a code of ethics for its senior
financial officers, and if not, list the reasons. It also requires a corporation to report any change or waiver of the code of ethics for these officers.

Sarbanes-Oxley specifies a “code of ethics” as standards necessary to promote an honest and ethical conduct of corporate activities. It views a code of ethics as a solution to problems of fraud, earnings manipulation, and falsification of accounting records; inappropriate executive compensation; excessive concentration of power in CEOs; and questionable composition and operation of board and audit committees. It also requires a corporation to establish procedures for handling actual or apparent conflicts of interest between personal and professional relationships and to give a full, fair, accurate, timely, and understandable disclosure of such situations in its periodic reports.

Grace (2005) affirms that such a code of ethics acts as checks and balances to strengthen those inclined to stray in times of temptation and assists management to outline best practices in corporate governance. Daily and Dalton (2005) also suggest that it provides a strong signal to investors that a corporation is committed to act within current best business practices. It also provides an additional comfort to a prospective director in deciding whether to accept a board position in a corporation or not.

Bernardi and LaCross (2005) commented that the Act encourages a corporation to nurture a good reputation and be more proactive in promoting ethical behavior. They identify the upward swing in corporations’ disclosure of corporate codes of ethics as evidence that post-Act corporations are becoming more sensitive to meeting the expectation on ethics.

_Enhanced Authority, Role, and Independence for Audit Committees_
Rezaee, Olibe, and Mimmier (2003) explain that a strong and independent audit committee assumes an important oversight role in corporate governance, promotes public interest, enhances audit efficacy, and insures an effective oversight of financial reporting. The Act specifies that the audit committee of a corporation should consist of its board’s independent members who do not receive any consulting, advisory, or other compensatory fees from the corporation.

The audit committee should be responsible for appointing, remunerating, and overseeing activities of the corporation’s external auditor. This would enable the audit committee to resolve conflicts in financial reporting between management and the auditor. It should establish procedures for the receipt, retention and treatment of complaints on accounting, internal controls, and auditing matters, including employees’ anonymous submission on questionable accounting or auditing issues in the corporation. The Act requires the audit committee have at least one member who is a financial expert.

As Braiotta and Zhou (2006) suggest these above measures can promote ethics in corporate governance because they enhance audit committee’s independence and effectiveness. Tipgos and Keefe (2004) affirm that an independent audit committee, as envisaged by the Act, can uphold ethical conduct, strengthen internal control systems, and monitor the collection of information regarding corporate misconduct. Braiotta and Zhou, 2006) also point out that such audit committee will discourage aggressive earnings manipulation, reduce the number of internal control problems, and minimize the need for financial restatements.

*Imposition of Corporate Responsibility for Financial Reporting and Resolution of Conflicts of Interest on Board and Management*
Sarbanes-Oxley imposes corporate responsibility for financial reporting on board and management by mandating CEOs, or other principal and financial officers of corporations, to sign an undertaking that they have reviewed the financial report and that the report does not contain any material omission or misstatement. They are also required to sign an undertaking that they accept responsibility for establishing and maintaining internal controls; that they have evaluated the effectiveness of their corporations’ internal controls; and that they have presented a report of the evaluation. The act requires an executive officer of a corporation to forfeit any bonus received from the corporation, and the profit from the sale of such bonus, if there is any material non-compliance that results in accounting restatement by the corporation. It also prohibits a board member or management from purchasing or selling the corporation’s equity during a blackout period. It restrains board members and management from obtaining personal loan from their corporation except they obtain such loan in the ordinary course of the corporation’s business. It also mandates board members and principal officers of a corporation to disclose their ownership of more than 10 percent equity in the corporation.

The Act imposes accountability for corporate and criminal fraud on management by establishing stringent penalties for any criminal act of falsification and destruction of corporate accounting records. It also discourages any form of improper influence on the conduct of audits by prohibiting management from engaging in acts that fraudulently influence, coerce, manipulate, or mislead the auditor in the audit of the corporation’s financial records.

AS Mc Lean notes the act expects these requirements to be enough deterrent to management fraud since they impose responsibility for financial reporting and resolution
of conflicts of interest on management. Tinkler (2005) also argues that the Act may be an important step in improving corporate governance, especially in areas of commitment to transparency in financial reporting, support for ethical business behavior, internal control reporting, and independence of auditors.

**Improved Independence of Auditors**

(Bernardi and LaCross, 2005) found that the impairment of auditors’ independence was a major cause of corporate fraud and failure. Therefore the Act prohibits an auditor from engaging in non-audit services (such as, bookkeeping, financial information design and implementation, or internal audit outsourcing) for the same corporation that it audits. Yakhou and Dorweiller (2005) affirms that this prohibition enhances independence of auditors and forecloses conflicts of interest between auditors and management.

The Act requires auditors to obtain a pre-approval for permissible non-audit services from the corporations’ audit committee while they are required to report any material communications with management to the audit committee as well. It prohibits an auditor from auditing a particular corporation if that auditor, during the past one year, has employed the CEO, Controller, Chief Financial Officer, or any person in similar position in that corporation, and such person participated in the audit of the corporation during this period. It requires rotation, every five years, of the audit partner handling a particular corporate audit while it imposes stringent penalties on the auditor for any criminal act that results in the destruction of corporate audit records.
Furthermore, Sarbanes-Oxley also creates and empowers the Public Company Accounting Oversight Board (PCAOB) to regulate auditing practice, establish auditing standards and guidelines, and enforce auditors’ compliance with the guidelines.

Empowerment of Employees

Tipgos and Keefe (2004) argue that a three-way relationship between the board, management, and employees will balance the power structure within an organization, enhance corporate ethics, promote accurate financial reporting, and prevent management fraud. The Act offers protection from discrimination, intimidation or loss of employment, to any employee of a corporation that provides evidence of fraud, i.e., a whistleblower. This protection underlines the importance of checks and balances in corporate governance. Tipgos and Keefe (2004) contend that the act supposedly prevents management fraud by making it difficult for management to manipulate accounting records and override internal controls under the watchful eyes of empowered employees.

Limitations of the Act in promoting Ethics in Corporate Governance

The Act has major limitations despite its provisions that promote ethics in corporate governance. The Act avoids a definition of ethics since Section 406 (c) of the act merely provides a guide on the concept. (Sama and Shoaf, 2005) contend that An appropriate definition of “ethics” is however necessary to deter corporations from giving the concept different interpretations thereby confirming the fear that the Act cannot impose ethics because people will always define it to suit their purpose.
Sarbanes-Oxley also fails to impose ethics on corporations because it merely requires them to disclose that they have a code of ethics, and if not, the reasons. Corporations are invariably excused from having the code if they have reasons.

Tinkler (2005) contends that greed may have caused the ethical problems in Tyco, Adelphia, Ahold, and WorldCom. He concluded that people tend to do what is most convenient, not necessarily what is right; they do whatever it takes to win; and they rationalize their choices based on whatever seems right to them at that time, i.e., situational ethics. The Act requires corporations to improve on ethics whereas most ethical issues in previous corporate scandals were leadership problems not inadequate statutes (Verschoor) 2004 notes that Since most corporate scandals are due to poor examples of corporate leaders, the solution is a culture that rewards responsible behavior and encourages a more ethical approach to corporate governance.

Koestenbaum, Keys, and Weirich (2005) identify an important role for management and CEOs in creating a "tone at the top" that promotes ethical conduct and permeates the corporate culture. They recommend an environment that ideally deters misconduct before it takes place rather than punish it after the damage has been done.

Ethics in corporate governance is a culture that upholds stakeholders’ interests, i.e., shareholders, creditors, employees, customers, suppliers, government agencies, and others (Mintz and Morris, 2007). Bernardi and LaCross, (2005) affirm that ethics impose obligation on management to create a corporate culture of transparency and accountability. Levitt (2005) however contends that the lack of true leaders that put public interest above corporate interest and career benefits in the business community, is overlooked/
Legislation cannot impose ethics on people

Legislation cannot cover all ethical obligations. Abuses and unethical actions cannot be eliminated by legislative because the unethical will always devise ways to circumvent statutes without necessarily breaking them (cf. Mintz and Sama (2007), Shoaf, 2005; and Daily and Dalton, 2003). Verschoor (2004) argues that legislation only insures corporations’ adherence to the letter, but not the spirit, of the law.

The Act requires a majority of outside independent members on the board as a solution to ethical issues in corporate failures. However, studies by Romano (2005), Petra (2006) reported that independent boards do not improve ethics in corporate governance.

The Act also requires that the audit committee be composed of outside independent board members with at least one financial expert. The evidence on the contribution of this requirement is inconclusive. Romano (2005) and Petra (2006) argue that audit committee’s independence might not be a deterrent to corporate fraud. They were unable to find a relationship between audit committee’s independence and corporate performance. However, cited other studies have found a positive correlation between directors with financial expertise and effective controls (cf. Beasley, (1996), DeZoort, et al. (2003)).

The problem of inappropriate and excessive executive compensation has not abated despite the provisions of the Act. Petra (2006) identifies the disconnection between corporate performance and executive compensation as a red flag that something is wrong with the corporate system especially when managers receive excessive executive payoffs while stockholders lose their investment through falling equity prices.
Ward (2007) reports that Home Depot’s former CEO recently received $210m payoff despite the poor performance of the corporation’s equity. Guerrera and Callan, (2007) point out that the U.S. Congress is now considering enacting another law that will tie executive pay to performance and also give shareholders the right to vote on executive compensation in order to tackle the problem of excessive executive compensation in corporations. This indicates the act has failed to solve the ethical issue in executive compensation, and further regulations are now required to solve this problem.

Negative Perception of a Whistleblower

(Tipgos and Keefe, 2004)argue that the larger society and coworkers view a whistleblower as a traitor despite the protection guaranteed by the Act. This negative perception of a whistleblower maybe deterrent to any employee who may be willing to give information on financial malpractices of management.

Summary and Conclusion

The Act focuses on correcting critical areas of poor corporate governance by mandating ethics, integrity, and professionalism in corporations but it fails to have any major positive impact on ethics in corporate governance despite no corporate failure since its introduction in 2002.

The Act may, however, have succeeded in raising ethics to a level of prominence and concern in corporate governance. As Petra (2006) contends that the Act has introduced a change in corporate thinking whereby corporations now focus on characters and moral conduct, while they now compete for the reputation of having the most conservative and transparent set of books. The Act may not prevent future corporate fraud but it provides a way to handle unethical acts within the corporate environment.
Because the Act was just introduced in 2002, its time frame is not long enough to obtain sufficient insight on its positive impact on ethics in corporate governance. This limitation underlies the need for further research in future.
References


Abstract:
Significant research has been conducted and literature published on teaching ethics including related issues such as fraud and earnings management. This paper will address reasons supporting why both undergraduate and graduate degree programs in business schools should teach ethics. The differing methods of teaching ethics will also be discussed.
ABSTRACT

This paper encourages the investigation of real world problems by students and faculty and links recommended student competencies with project based learning. In addition to the traditional objectives in courses, project-based learning (PBL) uses real world problems for classroom instruction and fieldwork by linking together students, instructors, and industry mentors from several disciplines with recommended professional competencies required of students entering a profession or career. The purpose and focus of project-based learning is to inform and enlighten, to instruct and educate, and to evoke industry and community interest by combining educational service value with an educational enterprising activity. Utilizing the tremendous intellectual capital of students and faculty in a learning environment on college campuses allows projects to be arranged and managed in a manner that may also provide funds for scholarships to underserved students. Project-based learning linked to recommended student competencies is a contributing educational force that addresses the needs in communities, student life choices, and student and instructor career goals.

INTRODUCTION

In project-based learning (PBL), students, instructors, and mentors work together to develop a finished product or service by combining the topics taught in their courses with applied real world problem solving. This paper is based on the premise that increased student mobility, improved technology, and advances of the Internet are a few of the factors that permit efficient implementation and “new” delivery of project-based learning. PBL allows for significant creative educational perspectives beyond the traditional classroom by not only educating the mind but by also educating the heart. This paper discusses the effort to link project-based learning practices, processes and competencies among students with a comprehensive interdisciplinary applied learning project. In the past, PBL was difficult to employ. As computer bandwidth increased and technology was enhanced over the Internet, there were fewer constraints in delivering project-based learning. Because of the availability of technology and the mobility of instructors, artists, and mentors, students at Utah Valley State College selected live concert productions and documentaries with a socially significant theme as their real world applied projects. The live concert projects and documentaries enhanced the students’ capabilities and experiences because they produced real world products and services. The idea for the projects was based on a statement by singer/songwriter and artist Tricia Walker, “Any artist or
creative thinker has a responsibility to help chronicle his or her own time, place and people. That's the surest way to keep a culture from disappearing” (Walker, 2006).

RECOMMENDED PROFESSIONAL COMPETENCIES

To implement project-based learning, the authors selected three classifications from the accounting profession as their model for recommended competencies that allow for significant educational perspectives, added efficiency, and creativity for interdisciplinary applied learning beyond the classroom. These competencies are in addition to the traditional objectives in each course. The competencies are easily integrated into a student’s educational experience. The recommended competencies categories listed below are important in helping students to make life decisions, to develop their career or profession, to become work ready, and to enable them to become active members of their community.

1. **Functional competencies**: Relates to the technical competencies, which are most closely aligned with the value contributed by a student’s career or profession (AICPA, 2002).
2. **Personal competencies**: Relates to the attitudes and behaviors of individuals preparing to enter a career or profession. Developing these personal competencies enhances the way relationships are handled in a student’s career, and facilitates individual learning and personal improvement in making life choices and in solving problems (AICPA, 2002).
3. **Broad business perspective competencies**: Relates to the context in which students will perform services and make decisions in their career or profession. Individuals preparing to enter a career should consider both the internal and external discipline specific environments and how their interactions with others determine success or failure. Additionally, the individuals must be familiar with the overall realities and peculiarities in the context of the profession that they are operating (AICPA, 2002; Autodesk Foundation, 2006; Portland, MA, Public Schools, 2006). For a recommended competency checklist outline and examples of projects including research, see journal article published in *The Journal of Learning in Higher Education* (Begay, Bender, Stemkoski, Raines & Walker, 2006).

DESCRIPTIONS OF RECOMMENDED COMPETENCIES

**Functional Competencies**

- **Decision Modeling**: When students work together to produce a finished product or service in the classroom, they tend to objectively consider issues, identify alternatives, and implement solution approaches to deliver the finished product or service. However, students often model previous behavior in their life; and this may influence management styles, learning, and decision making. Students using project-based learning may convey various learned or modeled management behavior. The students, instructors, and mentors will often exhibit decision making styles that are revealed in real world projects that are not easily identifiable in the traditional classroom structure. Additionally, the students, instructors, and mentors may bring previously learned management styles to a project that are observable in each other throughout the decision making process. They learn how to assess the need for sensible trust in each other while working together to solve problems (AICPA, 2002; Rensselaer Polytechnic Institute, 2006).
• **Risk Analysis:** Risk analysis and control is fundamental to service delivery and project development. Project-based learning exposes students to the need for identifying, defining, and managing risk. They are exposed to situations that detect misstatements caused by inadvertent errors, posturing, overstatement and understatement of material facts in both oral and written statements. The students begin to understand how risk assessment in project management shapes the implementation of business strategies. Students learn to keep work activities in prospective and assess risk by “doing the real thing.” Risk assessment is vital for making life choices and in making decisions (AICPA, 2002).

• **Measurement:** Reports measuring results and performance should be relevant, reliable, verifiable, valid, timely, understandable, consistent, and comparable. Reports assess the performance and results of the project and provide feedback regarding the decisions made, and the standards and objectives being achieved or not achieved. There are different measurement metrics, gauges, or standards in managing a project that are similar to dashboard gauges in an automobile that give feedback on the critical aspects of the operations. Also, the performance measures in project-based learning expose the students to criteria and metrics (measurements) to compare costs of hotels, printing, airline tickets, theater and automobile rentals, meals, ticket prices, and product sale prices, Web site design costs, and other expenses necessary in meeting or exceeding the objectives of the project. Exposing students to measurements and reporting of results also serves to generate budget activities that parallel personal financial decisions such as house buying, mortgage assessment, and automobile purchase decisions (AICPA, 2002).

• **Reporting:** Clearly and objectively communicating the results, findings, and work done is critical to assessing the results of a real world project. Some forms of communication are governed by professional standards or law. Others are based on the service applied and the needs of those to whom the person responsible reports. Communicating the scope of work required, findings, and recommendations is an integral part of professional service and project-based learning applications (AICPA, 2002).

• **Research:** Although professions need standards and other relevant rules, such guidance is constantly evolving. Many professional functions depend on obtaining information from within and outside of an entity or company. Understanding the metric or metrics that measure a particular project, business, or economy is necessary to gain insight into various companies, industries, and project peculiarities (Cramer, 2005, p. 81). Accordingly, individuals preparing to enter a career gain knowledge using project-based learning for marketing research and other disciplines. Students learn to integrate their research among disciplines. For example, Utah Valley State College English classes that participated in the concert projects analyzed songs by the singer songwriters that contained lyrics regarding human rights issues. In another instance, songs were written about historical events such as the Civil War. Students learned research skills and sought relevant individual guidance from the songwriters that applied to their writing assignments, decision making, and analysis (AICPA, 2002).

• **Leverage Technology to Develop and Enhance Functional Competencies:** Technology is inclusive in all professions. Individuals entering a career must acquire the necessary skills to use technology tools effectively and efficiently. Whether a student is in accounting, business
management, finance, human resource management, digital media, graphic design, distance education, engineering or English, students need to learn the technology and software specific to their profession or discipline (AICPA, 2002).

**Personal Competencies**

- **Problem Solving and Decision Making:** This competency involves demonstrating self-confidence, goal setting, positive attitude, focus, objectivity, patience, respect, conflict resolution, integrity, and ethical behavior. It also includes a commitment to stable work performance, as well as being committed to continuously acquiring new skills and knowledge in achieving or exceeding standards of performance to attain results. Career-minded individuals and professionals are often asked to distinguish the true nature of a situation, and then determine the principles and techniques needed to solve problems or make judgments. Thus, individuals entering a profession should display effective problem solving and decision-making skills, quality insight and judgment, and innovative creative thinking (AICPA, 2002).

- **Interaction:** Students, instructors, and mentors must be able to work with other professionals to accomplish objectives. This requires them to act as valuable partners within organizations and markets, and to work together to provide solutions to problems (AICPA, 2002).

- **Leadership:** Individuals entering a profession and making life decisions should be able to effectively lead in various circumstances and assist others when needed. This does not mean doing the work for another, but aiding the individual. Leaders might need to learn how to ask relevant and important questions and learn how to give support. The leader may also need to become skilled in empowering the individual to make the decision. This involves acquiring the skills needed to influence, inspire, and motivate individuals and groups to achieve results. The ethical considerations of leadership are also recognized in individuals when completing real world projects (AICPA, 2002).

- **Communication:** Individuals entering a profession or making life choices need to communicate information so that it is understood by individuals who have diverse capabilities and interests. For example, individuals entering a profession should have the skills necessary to provide and exchange information within a meaningful context and with appropriate delivery. They should have the ability to listen, deliver powerful presentations, and produce examples of effective writing. Each discipline has its own industrial peculiarities for making decisions (AICPA, 2002).

- **Project Management:** Individuals entering a profession or making life choices must successfully manage a diverse range of personal projects throughout their career and life. Individuals should demonstrate the ability to effectively control the course of multi-dimensional and multi-step undertakings. These include managing project assets, human capital (talent), financial and non-financial information, property assets and technology driven resources (AICPA, 2002).

- **Leverage Technology to Develop and Enhance Personal Competencies:** Technological adaptability is a requirement for today's professionals. As technology advances, individuals
must acquire new skills and determine how new technologies should be incorporated into their profession and life. Finally, integrating and exposing students to continuous technological learning among disciplines enhances the development, understanding, and application of the related competencies including decision making, human relations, and communication skills (AICPA, 2002).

**Broad Business Perspective Competencies**

- **Strategic/Critical Thinking:** Critical thinking encompasses the ability to link data, knowledge, and insight together from different disciplines while providing information to make decisions and solve problems. Being in tune with the “big picture” perspective is necessary to help compare a decision’s cause and effect on other disciplines. The cause and effect needs to be analyzed with sufficient validation to strive to understand any repercussions a decision may have on other phases of the project. Individuals should be given an educational opportunity to practice communicating to others the vision, strategy, goals, and objectives of their decision and to apply what they learn to a real world situation.

- **Implementation and Execution:** One way to reduce oversight in decision making is to require students, instructors, and mentors to articulate to each other and to a knowledgeable experienced independent person (sounding board). They communicate the purpose and reasoning for the project decision and how the strategy and tactic will meet or exceed a particular project objective. For example, Karen Cramer (“Trading Goddess” and successful stock trader on Wall Street) often asked her husband James Cramer (a successful money and hedge fund manager on Wall Street, for a number of years) the following sample questions, over and over again, to have him explain his decisions and stock picks. The below questions in italics are adapted for project-based learning from Cramer’s sample stock pick questions (Cramer, 2005, pp. 177-178):

  1. What’s going to make this stock go up? *(What will make this project improve, succeed, and be profitable?)*
  2. Why is it going to go up when you think it is? *(Why and how will the project improvement decision enhance and add value to the project? What is the time frame?)*
  3. Is this really the best time to buy? *(Is this the best time to implement the project decision?)*
  4. Haven’t we already missed a lot of the move? *(Is it too late, and/or is there a need to correct the decision?)*
  5. Shouldn’t we wait until it comes down a little more? *(Should the decision be implemented or delayed?)*
  6. What do you know about this stock that others don’t know? *(What is known about this project and the decision that others do not know?)*
  7. What’s your edge? *(What is the edge in this project or decision?)*
  8. Do you like this stock any more than any of the others you own and why? *(Is this project, decision, or improvement favored over other alternatives and why?)*

The last question is important because it suggests that it is impossible to have dozens of good ideas at once where a person could have an edge (Cramer, 2005, p. 178). Without a sounding board, it is not possible to be rigorous enough or have enough discipline and
conviction in a decision. With the use of the Internet, making decisions can be a solitary event (Cramer, 2005, p. 177). The above example of buying stock or managing a project is similar to buying a house or buying or leasing an automobile. One decision may have repercussions, transfer costs, or opportunity costs when compared to other alternatives. Project-based learning creates the motivation among students, instructors, and mentors to do homework, reading, research, and to prepare for an important decision that is being considered. This type of learning process is self-directed and continuous. It encourages doing a lot of homework and research when making decisions while using a trustworthy capable person(s) as a sounding board(s) (AICPA, 2002; Cramer, 2005, p.178). Students engaged in project-based learning generally work in cooperative groups. They solve problems, generating a performance assessment of the outcomes that are based on the process of the work performed and products and services produced (Ahalt, 2005). Mark Ahalt (2003) who was a teacher on Special Assignment at the District Office and Coordinator and is a Riverside Project Teacher at Mazama High School in Klamath Falls, Oregon asked, “How can we expect young people to achieve financially if they can’t understand the stock market, don’t know how interest rates work, or even how to manage their credit cards” (p. 8).

- **Industry/Sector Perspective:** Individuals entering a profession and making life choices should identify through research and analysis the economics and broad business financial risks of their decisions. In addition, students need to become aware of opportunities in the industry and economic sector in which a given individual or organization operates. For example, English students may become more aware of the publishing business and its industrial peculiarities when selecting a writing career. Identification of these risks and opportunities should include both issues specific to the enterprise, as well as those pervasive and peculiar throughout the industry, sector, and discipline (AICPA, 2002). As Cramer (2005) states, “There’s a terrible desire among professionals and amateurs not to try something new, not look at new markets or new stocks. The aversion comes from the amount of work that is required to learn new groups and from the belief that you can’t stretch your knowledge” (p. 179).

- **International/Global Perspective:** Individuals entering a profession should identify and communicate the variety of opportunities and threats of doing business in a borderless world. The professional of the future must provide services to support and facilitate commerce in the global marketplace (AICPA, 2002).

- **Resource Management:** The ability to appreciate the importance of all resources (human, financial, physical, technological, and environmental) is critical for success in analyzing future decisions. Individuals entering a profession and making life choices should apply management and human development information to human issues and organizational problems. Furthermore, individuals preparing to enter a profession and making decisions in life may need to understand the accumulation of future sums of money, compound interest, the future sum of equal periodic payments for investments at a reasonable rate of return, or calculate interest rate alternatives for purchases while identifying different sources of capital (Moneychimp, 2006; TIB Bank, 2006). An individual should analyze and become aware of the accountability and the measurements necessary to evaluate local and global community services (AICPA, 2002). This may lead to a better understanding of how to evaluate the
effectiveness of schools, police departments, fire protection, water supplies, and other environmental, social, and governmental services provided in the community.

- **Legal/Regulatory Perspective:** Regulatory forces are being created by collaboration, change, and reform as the various stakeholders globalize, share information, and push their particular needs and viewpoints onto political agendas. Individuals need to describe and assess the legal and regulatory environment and analyze the impact of changes. For example, an individual may need to make many decisions such as lease or purchase decisions for automobiles, equipment, and asset acquisitions that include tax law considerations, licensing decisions, mortgage decisions, credit card purchases and payments, cell phone decisions, retirement decisions such as 401k Retirement Plans and Individual Retirement Accounts comparisons. Moreover, individuals need to know how to acquire enough knowledge and information about a decision or purchase to be a “good client” or “knowledgeable” customer (AICPA, 2002; Cramer, 2005; Hagstrom, 2001). The students become capable of creating a project and being excellent managers while experiencing the concept of “good clients” and “good customers.” The projects also emphasize that the students are responsible for their performance and results (Cramer, 2005 p. 10).

- **Marketing/Focus:** Individuals who are marketing focused and oriented to serving others usually improve on meeting the changing needs of clients, employers, customers, and other stakeholders in the market place. This involves both the ability to recognize market and sales needs along with the capacity to develop new markets (AICPA, 2002).

- **Leverage Technology to Develop and Enhance a Broad Business Perspective:** Technology alters how organizations and individuals within a discipline operate. To provide and create value, today’s professional must understand and appreciate the effects of technology on the broader interdisciplinary environment. Whether a student is majoring in the arts, music, dance, graphic design, engineering, or English, there is a business, accounting, finance, tax, law, and technology aspect to each discipline (AICPA, 2002).

  “Students are given open-ended projects or problems with more than one approach or answer, intended to simulate professional decision making situations” (Esch, 2000, p.1). The late media theorist Marshall McLuhan believed the senses become extended outside of an individual’s body. He suggested that a book was an extension of the eye, and a car was an extension of the foot. McLuhan would say the Internet is an extension of the central nervous systems. Project-based learning (PBL) is also an extension from the classroom to an applied real-world learning atmosphere and is integrated with the Internet to permit students to gain and transfer information (Boese, 2004).

**CONCLUSION**

The research demonstrates that student retention of information follows identifiable patterns; and the strength of project-based learning (PBL) is not measured by student performance on multiple-choice exams, but by demonstration of higher-order learning through guided authentic learning activities (Cheaney & Ingebritsen, 2005). The PBL research and fieldwork is conducted with anticipation of moving the learning process from disconnected “educational silos on
campus” to a learning alliance among disciplines with students, instructors, and industry mentors to solve real world problems.

If students want to experience what it is like to write, then they must write. Writing is doing the real thing. There are benefits to be gained by experiencing the real thing or by conducting a real activity. As Warren Buffet, one of the most capable managers in the world states, “Can you really explain to a fish what it is like to walk on land? One day on land is worth a thousand years of talking about it, and one day running a business has exactly the same kind of value” (as cited in Hagstrom, 2001, p. 5). The direct experience offers many insights that can only be learned from doing the real thing. Finally, “Learning from the best is a dyadic process: it is both a privilege and a responsibility. We gratefully accept wisdom from those who have gone before us; it is our privilege. Then with respect, we pass it on to those who follow; that is our responsibility” (Hagstrom, 2001 p. 252). Hopefully, students will learn that by working together in socially energized community projects (PBL) to solve real world problems that a child who dies in the loving arms of parents, half way around the world, is as close as the next door neighbor.

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Leaders and Luddites: Which Students Adopt New Technology Early and Which Resist?

Dr. Kim Troboy, Assoc. Prof. of MIS
Dr. Loretta Cochran, Assist. Prof. of Mgmt
Dave Roach, Prof. of Mgmt
Genie Black, Prof. of Mgmt
School of Business, Arkansas Tech University
Russellville, AR

Abstract

This paper reports on research in progress that investigates personality characteristics associated with students’ tendencies to adopt early, with the mainstream, or late in the life cycle of a technological innovation. The general research question is whether particular personality characteristics are associated with knowledge and behaviors reflecting awareness and adoption of use of software applications, web services, and communication services which support online collaboration. In a web-based pilot survey in the fall of 2006, the researchers collected preliminary data from 157 undergraduate students in a small, southern university. The survey instrument measured a set of attitudes and behaviors about collaboration technologies, openness to experience, the intrinsic relevance of new technology, and basic demographics. The initial results indicated that individual relevance was strongly and positively related to a preference for taking an online class and the individual relevance was positively and significantly related to a personality trait indicating openness to new experience. However, the data indicated no direct relationship between openness to experience and a preference for online classes. Based on an analysis of that data, the researchers are in the process of revising the instrument for a second pilot test this summer and a full data collection phase during the next academic year.
Introduction

Higher education communities are responsible for passing the torch to each new generation of society’s leaders and teaching them how to adapt successfully to the challenge of the rapid pace of change brought on by an explosion of technological innovations. Students bring their own attitudes, experiences, characteristics, and expectations to this process. As a result, college life often involves an maelstrom of experiments in developing and using new technology. Many of these efforts are expensive and require a significant investment of time and intellectual effort.

The ability to gauge students’ tendencies in technology adoption would be useful in making cost-effective decisions about how to involve technology in curricula, communication, and in other areas of academic life. When does a new technology reach critical mass and when should a university make a new technology mainstream? Where should scarce technology support resources be focused? Will some faculty and students be negatively affected if the academic community adopts something too quickly or too slowly? For example, will all students respond to and benefit from podcast lectures? Should a business simulation or history class exercise resemble real-time multi-player online games, Civilization, the Sims, or SecondLife? Will all students learn better with e-textbooks? How does Facebook affect recruiting? What is the most effective way to send out urgent information? Should professors encourage students to post their presentations on YouTube?

In the fall of 2006, the researchers collected preliminary data from 157 undergraduate students in a small, southern university using a web survey. The theoretical framework drew from Rogers’ five early adopter categories, which range along a spectrum from the ‘innovators’ to ‘early adopters’ to ‘early majority’ to ‘late majority’ to ‘laggards’ (Rogers, 2003; Brown & Venkatesh, 2003; Harrison & Waite, 2005). The instrument included items that measured the ‘openness to new experience’ construct from the five-factor model of personality (Digman, 1990; Costa and McCrae, 1985; Goldberg, 2006), the level of intrinsic source of personal relevance (ISPR) adapted from Zaichkowsky’s (1985) Personal Involvement Inventory, and a variety of items asking respondents about their use of technology to learn, to communicate, and to socialize.

Based on the data analysis and focus groups with students during the spring 2007 term, the technology use items on the instrument are being revised. Possible additional personality traits that may be included in the revised instrument include innovativeness and propensity to take risks.
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Disclosure versus Recognition of Option Expense: An Empirical Investigation of SFAS No. 148 and Stock Returns

Steven Balsam
Fox School of Business and Management
Temple University
Philadelphia, PA 19122

Eli Bartov
Leonard N. Stern School of Business
New York University
New York, NY 10012

Jennifer Yin
College of Business
University of Texas – San Antonio
San Antonio, TX 78249-0631

ABSTRACT

Is quarterly employee stock option expense reported under the recently promulgated SFAS No. 148 value relevant? If so, is there a differential valuation effect related to the placement of the option expense within the financial statements, i.e., on the income statement or only in a footnote? Using a sample of 142 distinct firms (363 firm quarters) that recently began recognizing option expense voluntarily, and thus reported both disclosed and recognized option expenses, we find that whether the quarterly option expense is only disclosed in the footnotes, or whether it is also recognized in the income statement, the market values the cost associated with employee stock options as an expense. More importantly, we also find that the market valuation of that expense does not differ whether the amount is only disclosed in the footnotes, or whether it is also recognized in the income statement. Our findings are especially topical given the newly promulgated SFAS No. 123 (revised 2004), Share-based Payments. In this pronouncement, the FASB mandated income statement recognition for employee stock option expense for all firms starting (with a few exceptions) on June 15, 2005. By showing that market participants equally value the stock option expense whether it is disclosed or recognized, we show that firms need not worry about the first order effect of mandated recognition on their share prices.
Disclosure versus Recognition of Option Expense: An Empirical Investigation of SFAS No. 148 and Stock Returns

While SFAS No. 123 encouraged firms to use the fair value method of accounting for employee stock options on the income statement (see par. 62 of SFAS No. 123), until the summer of 2002 only a few firms elected to recognize option expense. In response to the accounting scandals of 2001 and 2002 (e.g., Enron, WorldCom, Global Crossing), a number of large publicly traded companies began voluntarily recognizing option expense using the fair value method. To improve the accounting for the transition from disclosure to recognition, in December of 2002 the Financial Accounting Standards Board (FASB) issued SFAS No. 148, Accounting for Stock-Based Compensation-Transition and Disclosure. SFAS No. 148 increased the frequency with which firms disclose their pro-forma numbers, requiring quarterly disclosures starting with the first quarter of 2003, and improved the prominence and clarity of the SFAS No. 123 pro-forma disclosures by prescribing a specific tabular format reporting the total stock-based compensation cost using the fair value method, as well as the amount recognized on the income statement.

Prior research has investigated the relation between SFAS No. 123 annual option expense and equity values with conflicting results. Rees and Stott (2001), who examine a sample of 756 firms making disclosures in 1996, the first year the disclosures were required under SFAS No. 123, find a positive association between returns and disclosed stock option expense. Similarly Bell et al. (2002) investigate a sample of 85 profitable companies from the software industry (three-digit SIC code 737) for the three-year

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1 For example, of the S&P 500 firms only two firms, Boeing and Winn-Dixie Stores Inc., recognized option expense.
period, 1996-1998, and find a positive relation between annual option expense disclosed in the footnotes and the market value of common equity at fiscal year end. Conversely, Aboody et al. (2004a), who use the same three-year sample period but a larger sample of 2,274 firm-years, document a negative correlation between disclosed annual option expense and both year-end stock prices and annual raw stock returns.

Related research has also investigated the valuation effect of recognition versus disclosure, again with mixed findings. Clearly, in a rational market with little information processing costs or contracting costs, whether the costs are expensed or recognized should not affect valuation. However, the FASB in Concepts Statement No. 2 (SFAC No. 2), “Qualitative Characteristics of Accounting Information,” observes that recognizing information in financial statements requires a higher level of reliability relative to disclosing information outside of financial statements. Extant empirical evidence is generally consistent with this observation. Libby, Nelson, and Hunton (2005) find that the auditors not only make decisions to include information within the financial statements based on its reliability, but further also appear to contribute to the added reliability of included material by requiring greater correction of misstatements of amounts recognized in financial statements as compared with those disclosed in the footnotes. Davis-Friday et al. (1999, 2004) find that investors value the disclosed liability for retiree benefits other than pensions differently than the recognized liability, and Aboody (1996) finds the market values price changes in the oil and gas industry differently depending upon whether those price changes are disclosed or recognized.

The purpose of this paper is two fold. First, by utilizing the quarterly disclosures provided under SFAS No. 148, we assess the value relevance of the newly promulgated
disclosure requirement that option expense be disclosed quarterly. Second and more importantly, by utilizing a sample of firms that have voluntarily adopted the recognition provisions of SFAS No. 123 recently, we examine whether the valuation effects of disclosed and recognized option expense are equal. Due to its greater perceived reliability, investors may place more weight on the recognized portion of the option expense, which in turn will lead to a differential valuation effect of disclosed versus recognized option expense. Conversely, if investors price stocks based on the nature of the information regardless of its placement in the financial statements, no differential valuation effect should be observed.

When compared to prior research examining the differential effects of recognition versus disclosure our setting is unique. While we examine amounts recognized and disclosed for the same firm in the same quarter, Davis-Friday et al. (1999 and 2004) contrast the same firm in different years, i.e., the last year under a disclosure regime with the first year under recognition, and Aboody (1996) does his comparison across different firms, i.e., he compares firms using the full cost versus those using the successful efforts method of accounting. This unique setting should increase the power of our tests as well as the reliability of our findings.

Our sample consists of 142 distinct firms (363 firm-quarters) spanning the first three quarters of 2003, the first year SFAS No. 148 was in effect. Following prior research (Bell et al. 2002, and Aboody et al. 2004a), we isolate the effect of option expense on stock returns by using a specification that considers seasonal changes in

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2 Most of the firms adopting the recognition provision of SFAS No. 123 elected to do so prospectively. Consequently, while they recognized the cost associated with the options granted after the date of adoption, the cost associated with options granted prior to adoption was only recognized in pro-forma income. Thus the firms have both recognized and disclosed amounts.
earnings, unexpected earnings growth, and firm size as control variables, in addition to our two test variables, unexpected recognized and unrecognized option expense.³

Using quarterly size-adjusted buy-and-hold abnormal returns (CAR), we find, as expected, that both unexpected disclosed and recognized quarterly option expenses are value relevant. More importantly, we find that disclosed and recognized option expenses are reflected in stock returns as expenses and in a similar fashion. That is, regressing CAR on recognized option expense and unrecognized option expense—after controlling for variables shown by prior research to explain stock returns—we find that the coefficients on the two option expense variables are negative and the difference between them is statistically insignificant. Furthermore, results from the Heckman (1979) test indicate these findings are not due to a self selection bias.

Our findings contribute to extant literature on the value relevance of option expense in two ways. First and foremost, we contribute to the ongoing debate on option disclosure versus recognition by showing that the placement of the option expense, whether in the income statement or only in the footnotes, makes little difference in terms of investor perceived costs associated with employee stock option grants. Specifically, corporate executives have been lobbying regulators for more than a decade against option expense recognition because of the perceived adverse economic consequences of recognition. Our results indicate that the economic consequences of option expense recognition are unlikely to be significant.

Second, we are the first to document that SFAS No. 148 disclosures are valuation

³ Our proxy for the unexpected expense is this year’s expense less the expense in the same quarter of the previous year, i.e., the seasonal difference. While to some extent this year’s unrecognized expense can be anticipated as those options have been granted in periods prior to adoption, disclosure was and is not refined enough to allow investors to fully anticipate this periods expense because neither the period over which the expense was allocated, nor the timing of the grant within the year, need be disclosed.
relevant, and that unexpected option expense is negatively associated with changes in firm value. This independent-of-prior-work evidence, generated by using quarterly rather than annual data, comparing the effects of recognition versus disclosure using the same firm in the same time period, and a more recent sample period (2003 versus 1996-1998), is important in light of the conflicting results reported in prior research.
Reference


A Study and Investigation of Learned and Inherent Traits, Behaviors, and Skills of Adolescent Public High School Students that are Deemed to be Essential to Successfully Secure and Maintain Employment

Jack Stanley Brown, Jr.

Academic Business World Conference

May 1, 2007

Jack Stanley Brown, Jr.  12 Brannon Court  Florence, AL 35630  256-710-4057
Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summary</td>
<td>3</td>
</tr>
<tr>
<td>Introduction</td>
<td>4</td>
</tr>
<tr>
<td>Significance of Study</td>
<td>4</td>
</tr>
<tr>
<td>Statement of Problem</td>
<td>4</td>
</tr>
<tr>
<td>Assumptions</td>
<td>4</td>
</tr>
<tr>
<td>Limitations</td>
<td>4</td>
</tr>
<tr>
<td>Review of Related Literature</td>
<td>5-7</td>
</tr>
<tr>
<td>Research Design</td>
<td>7</td>
</tr>
<tr>
<td>Methodology</td>
<td>7</td>
</tr>
<tr>
<td>Sample</td>
<td>7</td>
</tr>
<tr>
<td>Instrumentation</td>
<td>7-8</td>
</tr>
<tr>
<td>Results</td>
<td>8-9</td>
</tr>
<tr>
<td>Works Cited</td>
<td>9</td>
</tr>
<tr>
<td>Appendix</td>
<td>10</td>
</tr>
</tbody>
</table>
Summary

Objectives
There have been numerous studies and articles on the subject of what types of skills and traits employers are looking for and require of an employee. Since most high school students tend to have jobs in the retail and service industries, this study was designed to investigate what types of traits make a successful employee from the student’s viewpoint. Considering the limitations of experiences, both work and life, of a high school student, this study sought to ask the students their feelings on common statements related to seeking employment and being successfully employed. This investigation also asked the students to rank in importance key personality traits relating to a work environment. Finally, this study wanted to determine the main reason(s) that students want to be employed while they are still in school.

Results
Surveys were distributed to 300 public high school students in grades 10 – 12. Teachers of Science, Social Studies, Math, and Career Tech courses distributed the surveys to students in both general and college bound classes. The response rate was 97%. Various statements were presented for students to respond in a form of “strongly agree”, “agree”, “neutral”, “disagree”, and “strongly disagree”. An overwhelming percentage (95%) of the students felt that reporting to work on time was very important. Ninety-one percent felt that their appearance during an interview and while on the job was important. Thirty-four percent were neutral to the view that an employee should not disagree with a customer when the customer is wrong; 24% agreed and 23% disagreed. Twenty-four percent said that it is ok to argue with your boss.

In ranking traits based on level of importance, “Honesty” ranked number one by 41% of the respondents and number two by 24% of the students. “Dependability” was ranked number one by 38% and number two by 25% of the students. “Friendliness” came in third and “Willingness to learn” finished fourth. Of note, “Appearance” ranked fifth by 38% of the students but ranked number one by 22%. Finally, when asked the question of which is the most important reason to work while still being a student – getting experience for the future or to get a paycheck; 50.5% selected getting experience; 49.5% choose getting a paycheck as the most important reason to work.

Conclusions
Today’s students are exposed to a variety of influences outside of school mostly through audio/visual programs and intense media hype and propaganda. Many students are finding that they have to make judgments and decisions by themselves due to limitations in family involvement. Social and economic burdens and strains have forced many high school students into the work force in order to take care of themselves and help their families. While the majority of students surveyed acknowledge positive work traits such as honesty and dependability, many students felt that it is acceptable to argue and disagree with their superiors and their customers. The short-sighted idea of getting a job just to get a paycheck is also troubling.

Recommendations
Teach the traditional “3 R’s” and add a fourth – “Reality”. Enhance positive “people skills” training to show how it relates to the student. Embrace the ideals of good citizenship and promote teamwork and unity.
**Introduction**

Employers want to hire qualified candidates. They want their employees to successfully meet the duties and responsibilities of their job while exhibiting a positive work ethic and loyalty to the company. Identifying the prospective employee’s personality traits, behaviors, and job skills plays a major role in achieving success. Many employers want and need to hire high school students. These jobs are usually in the retail and service industries, with most jobs directly related to sales and customer service. Selecting qualified workers that are also high school students can be challenging due to limitations on the students’ work experience, education, and life experiences. Many studies have been done to find out from employers what they want to see in terms of skills and traits. However, this study sought to determine the important skills and traits needed to be a successful employee from the students’ perspective.

**Significance of Study**

How many times has it been said that educating children is the most important thing society can do. Children are the future of society and community. Today’s highly competitive employment market combined with the volatility of the global community requires that teachers not only teach the subject matter, but that they also teach the student how to succeed in career and life. With more and more students needing jobs due to social and economic demands, the future needs of society’s workforce is now. Training students to be successful and productive citizens is important and required.

**Statement of Problem**

This study will explore and analyze what public high school students perceive to be important skills and traits needed to be a successful employee.

- Do students recognize the traits that employers seek?
- Do students understand these traits?
- Do students care about the positive and negative effects of these traits?

**Assumptions**

The following assumptions were considered in conducting this study.

- The students will be honest in their responses to the questions.
- The students will participate in positive manner.
- A sufficient sampling size can be identified to draw reasonable conclusions.

**Limitations**

The following limitations were considered in conducting this study.

- The scope of this study is limited to public high school students from one school.
- The researcher will not personally distribute the surveys to the students.
- The researcher will not interview any of the students.
- Some students may interpret the survey’s statements differently from others.
- Some students may seek assistance from fellow students in responding to the survey’s statements.
Review of Related Literature

A degree alone is not enough. Employers are looking for more than just technical skills and knowledge of a degree. They particularly value skills such as communication, team working and problem solving. Job applicants who can demonstrate that they have developed these skills will have a real advantage and a better chance to succeed.

These skills are identified as employability skills. Employability skills are not job specific, but are skills which cut horizontally across all industries and vertically across all jobs from entry level to chief executive officer (Sherer and Eadie 1987).

- What skills and traits do employers value most in prospective entry-level employees?
- Why have employability skills become so important in contemporary workplaces?
- What educational practices has research shown to be effective in imparting employability skills and traits to students?

A review of the literature indicated that employers have no quarrel with the skills performance of today's graduates, but they do have serious reservations when it comes to their nontechnical abilities.

Another name for these "nontechnical abilities" is *employability skills*. Employability skills are the attributes of employees, other than technical competence, that make them an asset to the employer.

These employability skills include reading, basic arithmetic and other *basic skills*; problem solving, decision making, and other *higher-order thinking skills*; and dependability, a positive attitude, cooperativeness, and other *affective skills and traits*. Other personal qualities include flexibility, creativity, common sense, identifying one’s strengths and development needs, and continuously improving one’s own performance. Employers’ criteria can be stated as follows:

- **Cognitive Skills/Brainpower**: The ability to identify and solve problems; work with information and handle a mass of diverse data, assess risk and draw conclusions.

- **Generic Competencies**: High-level and transferable key skills such as the ability to work with others in a team, communicate, persuade and have interpersonal sensitivity.

- **Personal Capabilities**: The ability and desire to learn for oneself and improve one’s self awareness and performance. To be a self starter (creativity, decisiveness, initiative) and to finish the job (flexibility, adaptability, tolerance to stress).

- **Technical Ability**: For example, having the knowledge and experience of working with relevant modern laboratory equipment.

- **Business and/or Organization Awareness**: An appreciation of how businesses operate through having had (preferably relevant) work experience.
Practical Elements - Vocational Courses: Critical evaluation of the outcomes of professional practice; reflect and review own practice; participate in and review quality control processes and risk management.

Specific occupational skills are less crucial for entry-level employment than a generally high level of literacy, responsible attitudes toward work, the ability to communicate well, and the ability to continue to learn.

In a summary of several studies on the needs expressed by employers for entry-level job qualifications results suggest that:

- employers place greatest importance on employee attitudes,
- employers emphasize basic skills over job-specific skills
- employers deem it important for workers to have an understanding of the work environment (Natriello 1989).

Employers find far too many entry-level job applicants deficient in employability skills, and want the public schools to place more emphasis on developing these skills. Valuing employability skills—to the point of assigning them an even higher priority than job-specific technical skills—employers are understandably distressed to find so many entry-level job applicants lacking these skills. Various reasons given by employers for not hiring young people for entry-level jobs, including:

- Low grades and low levels of academic accomplishments
- Poor attitudes, lack of self-confidence, lack of goals, poorly motivated
- Inadequate basic skills (reading, writing, math)
- Lack of enthusiasm, lack of drive, little evidence of leadership potential
- Lack of preparation for the interview
- Inadequate preparation for type of work, inappropriate background
- Lack of extracurricular activities

And Beach (1982) cites research indicating that fully 87 percent of persons losing their jobs or failing to be promoted were found to have "improper work habits and attitudes rather than insufficient job skills or knowledge".

Employers expect to train new employees in company-specific procedures and to acquaint them with the behavioral norms, standards, and expectations of their workplace. They often provide training in job-specific technical skills as well. But they are emphatic in their conviction that the schools should take most of the responsibility for equipping young people with general employability skills.

A key feature of classes that successfully teach employability skills is that instructors hold and communicate high expectations for the learning and behavior of their students—whether or not the overall culture of the school holds high expectations for them (Lankard 1990).

The general educational research shows that holding and communicating high expectations for students' learning and deportment are critical features of effective
schooling. Unfortunately, in some secondary school settings, vocational classes are treated as low-ability tracks and/or repositories for troublesome students. Since research also shows that low expectations are frequently communicated to students in lower tracks, students in vocational programs are oftentimes given negative messages about their capacity to learn and conduct themselves appropriately.

Those teachers, in vocational and other programs, who do hold and communicate high expectations for their students, generally find those students to be quite responsive. If, in creating a workplace-like learning environment, they communicate employer-like expectations for basic skill application, punctuality, dependability, thoroughness, decision-making capability, cooperation, and so on, students have opportunities to practice and perfect these skills and traits. This, in turn, enhances the desirable employability qualities of skill-related self-confidence and general self-esteem.

In addition to its critical role in the U.S. economy, preparedness in employability skills is also an important contributor to the individual's self-regard and general well-being. Giving greater attention to this developmental area can therefore be expected to contribute to both social betterment and personal fulfillment.

When carefully structured and thoughtfully conceived, employability skill development enables all individuals, young and old, to develop needed self-confidence and motivation, to meet successfully the challenges of work, to survive, and to flourish.

Graduates need to demonstrate to employers that they can 'hit the ground running'. In addition to working hard to gain a degree, students should engage in extra curricular activities and obtain work experience in order to develop skills that will make them better prepared for the world of work. It is also important for students to become self-aware and develop the confidence to market themselves effectively.

**Research Design**

The research design is in the form of a phenomenological study. This design is used to attempt to understand the perceptions, perspectives, and feelings in regard to employability skills identified by high school students. Teachers distributed surveys in a variety of courses to approximately 30% of the student body.

**Methodology**

The purpose of this study was to explore, identify, and analyze various traits that the students would consider important in being a successful employee. The researcher wanted to know if there were common trends in the various traits presented and what were the students’ feelings and thoughts concerning employment skills.

**Sample**

Data were collected from surveys completed by public high school students. The information given by the students was tabulated into percentages of the population in order to analyze the findings and draw conclusions.

**Instrumentation**

The researcher prepared a Likert scale survey that had 10 statements and/or questions for the student to indicate his/her feelings regarding each statement. Initially the researcher prepared the survey using words and terms that are commonly used by teenagers. A more “professional” version of the survey was also prepared and used by the researcher after consultation with school administration. In addition to the Likert scale, the researcher asked the students to rank, by level of importance, five personality
traits that are generally accepted as valuable traits for employees to exhibit. The survey also asked each student to choose whether working while being a student was important for the experience or working was important to just get a paycheck. View the survey in the Appendix.

**Survey Response Tally Sheet**

<table>
<thead>
<tr>
<th>Question #</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>18%</td>
<td>31%</td>
<td>39%</td>
<td>11%</td>
<td>1%</td>
</tr>
<tr>
<td>2</td>
<td>10%</td>
<td>28%</td>
<td>29%</td>
<td>26%</td>
<td>7%</td>
</tr>
<tr>
<td>3</td>
<td>56%</td>
<td>36%</td>
<td>6%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>4</td>
<td>3%</td>
<td>21%</td>
<td>33%</td>
<td>32%</td>
<td>11%</td>
</tr>
<tr>
<td>5</td>
<td>1%</td>
<td>13%</td>
<td>39%</td>
<td>40%</td>
<td>7%</td>
</tr>
<tr>
<td>6</td>
<td>3%</td>
<td>22%</td>
<td>31%</td>
<td>29%</td>
<td>15%</td>
</tr>
<tr>
<td>7</td>
<td>9%</td>
<td>24%</td>
<td>34%</td>
<td>23%</td>
<td>10%</td>
</tr>
<tr>
<td>8</td>
<td>74%</td>
<td>21%</td>
<td>3%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>9</td>
<td>10%</td>
<td>37%</td>
<td>41%</td>
<td>9%</td>
<td>3%</td>
</tr>
<tr>
<td>10</td>
<td>2%</td>
<td>6%</td>
<td>22%</td>
<td>51%</td>
<td>19%</td>
</tr>
<tr>
<td>Trait</td>
<td>1's</td>
<td>2's</td>
<td>3's</td>
<td>4's</td>
<td>5's</td>
</tr>
<tr>
<td>--------------------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Appearance</td>
<td>22%</td>
<td>11%</td>
<td>10%</td>
<td>18%</td>
<td>39%</td>
</tr>
<tr>
<td>Dependability</td>
<td>38%</td>
<td>25%</td>
<td>14%</td>
<td>12%</td>
<td>11%</td>
</tr>
<tr>
<td>Friendliness</td>
<td>13%</td>
<td>16%</td>
<td>26%</td>
<td>25%</td>
<td>20%</td>
</tr>
<tr>
<td>Honesty</td>
<td>41%</td>
<td>24%</td>
<td>15%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Willingness to learn</td>
<td>18%</td>
<td>16%</td>
<td>20%</td>
<td>25%</td>
<td>21%</td>
</tr>
<tr>
<td>Experience</td>
<td>50.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Check</td>
<td>49.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- 31% agree that employers want to hire students
- 28% agree that you must have high grades to get a job
- 55% strongly agree that appearance is important
- 32% say employers do mind if you miss work
- 40% say that you work for the customer first
- 24% agree that it is ok to disagree with a customer
- 74% strongly agree that getting to work on time is important
- 37% agree that employers should be flexible when you want off
- 51% say that you should not use company supplies for personal use

**Works Cited**

Beach, D. P.

Natriello, G.

Sherer, M., and Eadie, R.

Lankard, B. A.
Appendix
Student Survey

Please describe how you feel about each statement by circling a choice.

1. Employers want to offer students a job.
   - Strongly Agree
   - Agree
   - Neutral
   - Disagree
   - Strongly Disagree

2. I must have high grades in school to get a job.
   - Strongly Agree
   - Agree
   - Neutral
   - Disagree
   - Strongly Disagree

3. My appearance is important during a job interview and while on the job.
   - Strongly Agree
   - Agree
   - Neutral
   - Disagree
   - Strongly Disagree

4. Employers don’t mind if I miss work as long as I tell them why.
   - Strongly Agree
   - Agree
   - Neutral
   - Disagree
   - Strongly Disagree

5. I work for my company first, then for the customer.
   - Strongly Agree
   - Agree
   - Neutral
   - Disagree
   - Strongly Disagree

6. It is ok to disagree with the customer when they are wrong.
   - Strongly Agree
   - Agree
   - Neutral
   - Disagree
   - Strongly Disagree

7. It is ok to argue with your supervisor when he/she treats you wrongly.
   - Strongly Agree
   - Agree
   - Neutral
   - Disagree
   - Strongly Disagree

8. Showing up for work on time is a very important responsibility.
   - Strongly Agree
   - Agree
   - Neutral
   - Disagree
   - Strongly Disagree

9. Employers should be flexible when I want time off from work.
   - Strongly Agree
   - Agree
   - Neutral
   - Disagree
   - Strongly Disagree

10. It is ok to use my company’s supplies for my personal and/or school use.
    - Strongly Agree
    - Agree
    - Neutral
    - Disagree
    - Strongly Disagree

On a scale of 1-5, with 1 being the most important, rank the following traits in terms of importance to being a successful employee.

- Appearance
- Dependability
- Friendliness
- Honesty
- Willingness to learn

To you, check which is the most important reason to work while in school?

- To get experience for my future.
- To get a paycheck.
Which is More Prevalent – Worldwide Income Approach or Territorial Income Approach for Federal Income Tax?

**Introduction**

The worldwide income approach (also known as a global tax system) taxes income from whatever source derived. For example, the United States requires that income from both the U.S. and foreign sources be reported for individual income tax purposes. Many countries, especially industrialized nations, utilize some type of worldwide income approach. Other countries, on the other hand, use the territorial income approach whereas only the income earned within their borders is normally reported for federal taxability.

Countries utilizing the worldwide approach, such as the U.S., realize that their citizens may be paying income taxes also in the countries in which they have earned income. Therefore, their tax laws generally provide means to eliminate or reduce the double taxation that arises when income is subject to tax in multiple jurisdictions. The U.S., for instance, provides a foreign tax credit, a foreign tax itemized deduction, a foreign earned income exclusion for U.S. citizens and residents who work abroad, and some tax treaty provisions.

The purpose of this investigative study was to examine which countries apply the worldwide or global income approach and which employ the territorial approach. A secondary objective of the study was to investigate any specific rules that a particular country has in relation to income to be taxed and residency versus non-residency status of the taxpayers.

To make some comparisons on a regional basis, the authors elected to categorize the world into four sections: (1) Americas, (2) Asia/Pacific Basin, (3) Europe, and (4) Africa/Middle and Near East.

The following tables show which income approach is used by each country and some brief description of specific rules relating to the reporting and taxability of income for individuals.

**Analyses and Comparisons**

This investigative study indicates that the worldwide income approach for federal income tax purposes is more prevalent in usage than is the territorial income approach. Again the worldwide approach (also known as the global tax system) means that a country taxes income from all sources regardless of what country the income is derived while the territorial approach means that only the income earned or received within a country’s borders is taxable. Many countries use the worldwide approach for their citizens and/or residents but use the territorial approach for nonresidents. There is some variation among the countries as to the definition of resident status versus nonresident status.

The primary focus of this research investigation was to examine which countries (out of a total of 109 countries) normally use the worldwide taxation approach, which
normally use the territorial approach, and what specific rules are regulated in relation to these income approaches (especially concerning the countries’ definitions of residence status versus nonresident status). In this study there were 10 countries that have no individual income tax, and thus for those nations the subject matter would be irrelevant.

As stated in the introduction, comparisons are made on a regional basis (Americas, Asia/Pacific Basin, Europe, and Africa/Middle and Near East). Table 1 shows the number of countries in each category. Table 1 also includes the number of countries which have no individual income taxes (making this subject matter not relevant).

<table>
<thead>
<tr>
<th>Region</th>
<th>Worldwide</th>
<th>Territorial</th>
<th>None</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>14</td>
<td>9</td>
<td>5</td>
<td>28</td>
</tr>
<tr>
<td>Asia/Pacific Basin</td>
<td>21</td>
<td>7</td>
<td>1</td>
<td>29</td>
</tr>
<tr>
<td>Europe</td>
<td>32</td>
<td>0</td>
<td>0</td>
<td>32</td>
</tr>
<tr>
<td>Africa/Middle and Near East</td>
<td>9</td>
<td>7</td>
<td>4</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>76</td>
<td>23</td>
<td>10</td>
<td>109</td>
</tr>
</tbody>
</table>

Based on the data from the previous table, the worldwide approach is much more prevalent (76 countries) than the territorial approach (23 countries). It is apparent that, generally speaking, the more developed nations utilize the worldwide approach while many of the less developed or smaller countries tend to use the territorial approach. Interestingly, all 32 of the European countries tax income on worldwide sources.

An important factor that could be relevant to someone who plans to work in another country on a temporary basis is how a particular country treats such an individual (resident or nonresident) for income tax purposes. There appears to be an abundant spectrum of rules relating to residency and domicility for tax purposes among the countries. For instance, in some countries a resident is a taxpayer who lives in that country for 183 days or more during a year. In other countries the time period is more than 183 days. The time period is 180 days or more in some countries, and a few countries have a 2-year or 3-year window. The U.S. includes as residents for tax purposes anyone who is present in the country for at least 31 days in the current tax year and a total of 183 equivalent days during the current year and the prior two years.

**Conclusions**

As observed in this investigative study, the worldwide income approach is significantly more prevalent throughout the world than the territorial approach. It seems that since many of the less developed and smaller countries use the territorial approach, it
would behoove those nations to consider the possibility of switching to the worldwide approach in order to increase their tax revenues. These nations may discover that such a switch could make a large difference in helping them in economic growth. On the other hand, some of these countries may have only a few taxpayers who earn taxable income other than domestic income; in these cases, it may not be very beneficial to change to a worldwide approach.

In relation to the worldwide approach, it is important to remember that taxpayers who have income from foreign sources may often be able to reduce their income taxes by utilizing foreign income exclusions, foreign tax credits, and/or foreign tax deductions; such tax reductions are normally based on certain tax laws of a particular country and/or foreign tax treaties between that country and specific other nations.

Another factor to consider relative to the worldwide approach is the fact that a government may find it difficult to enforce the rule that a taxpayer must report income from worldwide sources for income tax purposes. Without a doubt, there are taxpayers who fail to report some or all of their foreign income (intentionally or unintentionally) or find ways to hide some or all of their earnings in bank accounts in tax-haven countries. The best solution to minimize this dilemma would be for governments to strictly enforce the rules by increased investigations and working with other countries through tax agreements and reciprocity.
REFERENCES


Appendix

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>WORLDWIDE OR TERRITORIAL APPROACH</th>
<th>BRIEF DESCRIPTION OF SOME SPECIFIC RULES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AMERICAS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Antigua and Barbuda</td>
<td>Territorial</td>
<td>Employee income and investment income are tax-free to permanent residents; these income items arising in Antigua are taxable to nonresidents and temporary residents.</td>
</tr>
<tr>
<td>Argentina</td>
<td>Worldwide</td>
<td>Taxes are based on worldwide income apply to residents and foreign nationals who work in the country for less than five years.</td>
</tr>
<tr>
<td>Bahamas</td>
<td>None</td>
<td>There is no income tax.</td>
</tr>
<tr>
<td>Barbados</td>
<td>Worldwide</td>
<td>A taxpayer who is both a resident and is domiciled in Barbados is taxed on worldwide income. A taxpayer who is a resident but not domiciled in Barbados is taxed on income derived from Barbados and from any other sources outside Barbados to the extent that a benefit is received in the country.</td>
</tr>
<tr>
<td>Bermuda</td>
<td>None</td>
<td>There is no income tax.</td>
</tr>
<tr>
<td>Country</td>
<td>Taxation Type</td>
<td>Taxation Details</td>
</tr>
<tr>
<td>------------------</td>
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<td>------------------</td>
</tr>
<tr>
<td>Bolivia</td>
<td>Territorial</td>
<td>Bolivian – source income is subject to tax for nonresident aliens. Citizenship and domicile have no bearing on the tax base.</td>
</tr>
<tr>
<td>Brazil</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income, and non residents are taxed only on Brazilian – source income; the income source is determined by the taxpayer’s domicile regardless of where the work is performed.</td>
</tr>
<tr>
<td>Canada</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income; foreign tax credits and deductions based on foreign tax treaties provide relief from double taxation. Nonresidents are subject to income tax on Canadian employment, proprietorship, and capital gains. Part-time residents are taxed on their worldwide income only for the period in which they are Canadian residents.</td>
</tr>
<tr>
<td>Cayman Islands</td>
<td>None</td>
<td>There is no income tax.</td>
</tr>
<tr>
<td>Chile</td>
<td>Worldwide</td>
<td>Chilean residents and domiciles are taxed on their worldwide income. Foreigners who work in Chile are taxed only on their income earned in Chile during their first three years in the country and after that they are taxed on their worldwide income.</td>
</tr>
<tr>
<td>Colombia</td>
<td>Territorial</td>
<td>Nationals are taxed only on Colombian-source income. Alien residents are taxed on Colombian-source income until their sixth year of residence, and then they are taxed on</td>
</tr>
</tbody>
</table>
Nonresident nationals and aliens are taxed on Colombian-source income.

<table>
<thead>
<tr>
<th>Country</th>
<th>Taxation Method</th>
<th>Taxation Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costa Rica</td>
<td>Territorial</td>
<td>Regardless of resident status, taxpayers are levied income taxes on all income earned in Costa Rica.</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>Territorial</td>
<td>Only Dominican-source income is subject to tax for residents and nonresidents.</td>
</tr>
<tr>
<td>Ecuador</td>
<td>Territorial</td>
<td>Generally, citizens and foreigners are taxed only on Ecuador-source income.</td>
</tr>
<tr>
<td>Guatemala</td>
<td>Territorial</td>
<td>Citizens, residents, and nonresidents are taxed only on Guatemalan-source income.</td>
</tr>
<tr>
<td>Guyana</td>
<td>Territorial</td>
<td>Generally, the territorial approach is used for residents and nonresidents on earned income. Unearned income, however, may be taxed whether received in Guyana or not.</td>
</tr>
<tr>
<td>Jamaica</td>
<td>Worldwide</td>
<td>Citizens and residents are taxed on their worldwide income. Nonresidents working in Jamaica, on the other hand, are taxed only on Jamaican-source income. Individuals are treated as residents if any of several conditions are met.</td>
</tr>
<tr>
<td>Mexico</td>
<td>Worldwide</td>
<td>Residents are subject to tax on their worldwide income. Nonresidents are taxed only on their Mexican-source income. The definition of a “tax resident” was changed in 2004. Under the new definition an individual is a resident of Mexico if he has a home in Mexico; if the person</td>
</tr>
</tbody>
</table>
has a home in another country, he is a tax resident in the country in which he has his center of vital interests.

<table>
<thead>
<tr>
<th>Country</th>
<th>Type</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands Antilles</td>
<td>Worldwide</td>
<td>Residents (individuals who have a permanent home, habitual stay, or center of economic and social interest in the Netherlands Antilles) are taxed on their worldwide income while nonresidents are taxed only on their income generated within the Netherlands Antilles.</td>
</tr>
<tr>
<td>Panama</td>
<td>Territorial</td>
<td>Citizens, residents, and nonresidents are taxed only on income earned from Panama sources.</td>
</tr>
<tr>
<td>Paraguay</td>
<td>None</td>
<td>There is no income tax.</td>
</tr>
<tr>
<td>Peru</td>
<td>Worldwide</td>
<td>Domiciled individuals are taxed on their worldwide income while nondomiciled taxpayers are taxed only on their Peruvian-source income.</td>
</tr>
<tr>
<td>Puerto Rico</td>
<td>Worldwide</td>
<td>Bona fide residents are taxed on their worldwide income. Nonresidents are taxed only on their Puerto Rican-source income. A bona fide resident is one who dwells in a Puerto Rican home for 183 days or more during a year.</td>
</tr>
<tr>
<td>St. Lucia</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income. Nonresidents generally are taxed only on their St. Lucian-source income.</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
<td>Worldwide</td>
<td>Taxpayers who are domiciled and residents in Trinidad and Tobago are taxed on their world income.</td>
</tr>
</tbody>
</table>
worldwide income. Nonresidents are taxed on their income earned in Trinidad and Tobago. Individuals are considered to be residents if they live in the country for more than 183 days during the year.

<table>
<thead>
<tr>
<th>Country</th>
<th>Basis</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>Worldwide</td>
<td>Citizens and resident aliens are taxed on their worldwide income. Generally, nonresident aliens are taxed only on their U.S.-source income. Resident aliens include green card holders and those who are present in the U.S. for at least 31 days in the current year and a total of 183 equivalent days during the current year and the prior two years (the “substantial presence test”). Tax treaties with other countries can affect a person’s residency status.</td>
</tr>
<tr>
<td>Uruguay</td>
<td>None</td>
<td>There is no income tax.</td>
</tr>
<tr>
<td>Venezuela</td>
<td>Worldwide</td>
<td>Residents and individuals domiciled abroad with a permanent establishment in Venezuela must pay tax on their worldwide income. Nonresident individuals pay tax on their Venezuelan-source income. Residents and individuals domiciled abroad with a permanent establishment in Venezuela may credit taxes paid abroad for extraterritorial-source income.</td>
</tr>
</tbody>
</table>

**ASIA/PACIFIC BASIN**

<table>
<thead>
<tr>
<th>Country</th>
<th>Basis</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income, except for salaries and wages earned overseas for a continuous period</td>
</tr>
</tbody>
</table>
of at least 91 days (unless tax 
exempt in those countries). Tax 
credits are permitted for foreign 
taxes paid. Nonresidents are 
subject to tax only on income 
(except for interest, dividends, 
and royalties) earned in 
Australia.

<table>
<thead>
<tr>
<th>Country</th>
<th>Taxation Basis</th>
<th>Tax Treatment</th>
</tr>
</thead>
</table>
| Azerbaijan   | Worldwide      | For residents all income earned within or outside the country is taxable while 
nonresidents are subject to tax only on income derived from the Azerbaijan Republic. |
| Cambodia     | Worldwide      | There is no personal income tax, but residents pay a monthly salary tax on worldwide salaries. Nonresidents pay a salary tax on Cambodian-source salaries. |
| China        | Worldwide      | Individuals who maintain a place of residence in China because of their legal residence status, family, or economic ties (“place of abode”) are taxed on their worldwide income. Generally, nonresidents or resident foreign expatriates are taxed only on their China-source income. In some cases, however, foreign expatriates are taxed on their worldwide income. |
| Fiji         | Worldwide      | Residents are subject to tax on their worldwide income while nonresidents are subject to tax only on their Fiji-source income. Generally, individuals who have lived in Fiji during more than half the year are considered to be residents. |
| Hong Kong    | Territorial    | Residents and nonresidents are                                             |
Subject to Hong Kong employment income; residency, domicility, and citizenship are irrelevant to tax liability. Pensions are taxable if the funds are situated in Hong Kong.

<table>
<thead>
<tr>
<th>Country</th>
<th>Taxation Area</th>
<th>Taxation Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income while nonresidents are taxed only on their India-source income. Nonresidents are also taxed on income accruing abroad if it is from a business controlled in India or is from a profession established in India.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>Worldwide</td>
<td>Residents are subject to tax on their worldwide income. Nonresidents are generally subject to tax only on their compensation received for work conducted or utilized in Indonesia.</td>
</tr>
<tr>
<td>Japan</td>
<td>Worldwide</td>
<td>Permanent residents are taxed on their worldwide income, and nonresidents are taxed only on their Japan-source income. Nonpermanent residents are taxed on Japan-source income plus the part of non-Japan-source income that is paid in Japan or remitted to Japan.</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income, and nonresidents are taxed only on their Kazakhstan-source income.</td>
</tr>
<tr>
<td>Korea, Republic of</td>
<td>Worldwide</td>
<td>Citizens and non-Korean residents (such as individuals who have a domicile or</td>
</tr>
</tbody>
</table>
- Residency within Korea for one year or more) are taxed on their worldwide income. Nonresidents are taxed only on their Korean-source income.

<table>
<thead>
<tr>
<th>Country</th>
<th>Taxation System</th>
<th>Residency and/or Domicility Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macau</td>
<td>Territorial</td>
<td>Residence and/or domicile are irrelevant for tax purposes. Taxpayers pay tax only on Macau-source income. A professional tax is levied on anyone who receives income from services performed in Macau.</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Territorial</td>
<td>Residents and nonresidents are subject to tax only on income derived from Malaysia. Personal allowances and the benefit of graduated tax rates are available to residents but not to nonresidents.</td>
</tr>
<tr>
<td>Malta</td>
<td>Worldwide</td>
<td>Taxpayers who are both domiciled and ordinarily residents in Malta pay tax on their worldwide income. Taxpayers who are not domiciled or not ordinarily residents in Malta pay tax only on income arising in Malta and any foreign income remitted to Malta. Nonresidents pay tax only on Malta-source income.</td>
</tr>
<tr>
<td>New Caledonia</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income. Nonresidents are taxed a 25% notional tax on local-source income.</td>
</tr>
<tr>
<td>New Zealand</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income.</td>
</tr>
</tbody>
</table>
Nonresidents are taxed only on their income derived from New Zealand; employment and self-employed income earned in New Zealand is taxable unless a nonresidents’ exemption or a double taxation agreement exemption applies.

<table>
<thead>
<tr>
<th>Country</th>
<th>Taxation System</th>
<th>Taxation Rules</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pakistan</td>
<td>Worldwide</td>
<td>Residents are subject to tax on their worldwide income, except when there is a double taxation treaty for income earned outside of Pakistan (which is not taxed in Pakistan). Nonresidents are subject to tax only on Pakistan – source income.</td>
</tr>
<tr>
<td>Philippines</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income. Nonresidents are taxed only on their income from sources within the Philippines. Most expatriates are classified as nonresident aliens.</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income, and nonresidents are taxed only on their income received from sources in Russia. An individual is considered to be a resident if he/she is physically present in Russia for 183 days or more in a calendar year.</td>
</tr>
<tr>
<td>Singapore</td>
<td>Territorial</td>
<td>Income derived in Singapore is taxable to residents and nonresidents. Income derived from sources outside of Singapore is taxable only if it is remitted into Singapore; such income</td>
</tr>
<tr>
<td>Country</td>
<td>Tax Type</td>
<td>Tax Details</td>
</tr>
<tr>
<td>------------------</td>
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<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>Territorial</td>
<td>Only income derived in the Solomon Islands is taxable, and the income is taxable only if the individual is a resident. A person is considered to be a resident if that person is present in the Solomon Islands for six months or more in the tax year.</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income, and nonresidents are taxed only on their Sri Lanka – source income. Individuals are treated as residents for tax purposes if they have been physically present in the country for two or more consecutive years.</td>
</tr>
<tr>
<td>Tahiti</td>
<td>None</td>
<td>There is no individual income tax.</td>
</tr>
<tr>
<td>Taiwan</td>
<td>Territorial</td>
<td>Citizens, aliens (people who stay in Taiwan for more than 90 days in a calendar year), and other residents (aliens who reside in the country for 183 days or more in a calendar year) are subject to tax only on Taiwan source income.</td>
</tr>
<tr>
<td>Thailand</td>
<td>Territorial</td>
<td>Residents and nonresidents are taxed only on income from Thai-source income. An individual is considered to be a resident if he/she resides in Thailand for 180 days or more in a calendar year.</td>
</tr>
</tbody>
</table>
Turkey Worldwide Residents are taxed on their worldwide income while nonresidents are taxed only on income derived from Turkish sources. Generally, people who reside in Turkey for more than six months in a calendar year are considered to be residents for tax purposes.

Ukraine Worldwide Residents are taxed on their worldwide income; nonresidents are taxed only on income from Ukraine sources. There is a somewhat complicated set of rules in the definition of a resident and also a list of income items that are considered to be Ukrainian-source income.

Uzbekistan Worldwide Residents are taxed on their worldwide income while nonresidents are taxed only on their income from activities in Uzbekistan. Anyone who is present in the country for 183 days or more in a calendar year is considered to be a resident.

Vietnam Worldwide Residents (which include anyone who lives and works in the country for 183 days or more in a calendar year) are subject to tax on their worldwide income. Nonresidents are subject to tax (flat 25%) only on their Vietnamese-source income.
<table>
<thead>
<tr>
<th>Country</th>
<th>Worldwide</th>
<th>Taxation Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Worldwide</td>
<td>Residents are subject to tax on their worldwide income; nonresidents are subject to tax only on income from certain Austrian-sources. Persons are considered to be residents if they reside in the country for more than six months in a calendar year.</td>
</tr>
<tr>
<td>Belgium</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income, and nonresidents are taxed only on their income earned or collected in Belgium. Residents are those who have established their domicile or their economic base in Belgium, which means they have registered in the population register of a commune in the country.</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income while nonresidents are taxed only on income from Bulgarian sources. Regardless of their citizenship, resident status is for anyone who is permanently domiciled in the country or has resided in Bulgaria for more than 183 days in a calendar year.</td>
</tr>
<tr>
<td>Channel Islands, Guernsey</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income; persons who are residents but are not solely or principally residents are taxed on Guernsey-source income and overseas income remitted to the island; and nonresidents are taxed only on Guernsey-source income.</td>
</tr>
<tr>
<td>Country</td>
<td>Taxation Approach</td>
<td>Taxation Rules</td>
</tr>
<tr>
<td>------------------------</td>
<td>-------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Channel Islands, Jersey</td>
<td>Worldwide</td>
<td>The taxation rules for worldwide versus territorial income approach for Jersey are the same as those for Guernsey.</td>
</tr>
<tr>
<td>Croatia</td>
<td>Worldwide</td>
<td>Residents and persons who temporarily reside in Croatia for more than 183 days within a period of two calendar years must pay tax on their worldwide income. Others who reside in Croatia for less than 183 days pay tax only on their Croatian-source income.</td>
</tr>
<tr>
<td>Cyprus</td>
<td>Worldwide</td>
<td>Residents and persons who reside in Croatia for more than 183 days in a calendar year pay tax on their worldwide income. Nonresidents pay tax only on their income derived from sources in Cyprus.</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Worldwide</td>
<td>Residents, which include persons who spend 183 days or more in a calendar year or have a permanent place of abode in the Czech Republic, are taxed on their worldwide income. Nonresidents are generally taxed only on Czech-source income.</td>
</tr>
<tr>
<td>Denmark</td>
<td>Worldwide</td>
<td>Residents, which include individuals who reside in Denmark for six months or more in a calendar year, are charged with full tax liability on their worldwide income. Nonresidents are generally subject to tax only on their Danish-source income.</td>
</tr>
<tr>
<td>Country</td>
<td>Region</td>
<td>Legal Framework</td>
</tr>
<tr>
<td>-------------</td>
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<td>----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Faroe Islands</td>
<td>Worldwide</td>
<td>The taxation rules for Faroe Islands are the same as those for Denmark. There are special rules for nonresidents who participate in oil and gas exploration activities in Faroe Islands; they are taxed at a flat rate of 35.5%.</td>
</tr>
<tr>
<td>Finland</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income; individuals who reside in Finland for more than six months in a calendar year are deemed to be residents. Residents are taxed according to progressive tax rates. Nonresidents are generally taxed only on their Finnish-source income and are taxed at flat rates. Expatriates whose work requires a special knowledge and reside in Finland for 6 to 24 months are taxed at a flat rate of 35%.</td>
</tr>
<tr>
<td>France</td>
<td>Worldwide</td>
<td>Persons who are domiciled in France are generally subject to tax on their worldwide income, and individuals who are not domiciled in the country are subject to tax only on their income derived in France or, in some instances, on imputed income. If one or more of four criteria is met, the person is deemed to be domiciled in France.</td>
</tr>
<tr>
<td>Germany</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income while nonresidents are taxed only on their German-source income (usually by</td>
</tr>
</tbody>
</table>
A person is considered to be a resident if he/she is physically present in the country for more than six months in a calendar year.

<table>
<thead>
<tr>
<th>Country</th>
<th>Taxation Scope</th>
<th>Taxation Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>Worldwide</td>
<td>Permanent residents are taxed on their worldwide income, and nonresidents are generally taxed only on their Greek-source income.</td>
</tr>
<tr>
<td>Hungary</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income, and nonresidents are taxed only on their Hungarian-derived income. A person is deemed to be a resident for tax purposes if that person has a permanent home, center of vital interests, or habitual place of staying in Hungary.</td>
</tr>
<tr>
<td>Ireland</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income, and nonresidents are taxed on income arising in Ireland and the United Kingdom and foreign income remitted to Ireland. An individual is deemed to be a resident if he/she resides in Ireland for 183 days or more in a calendar year or for 280 days or more within a two-year period.</td>
</tr>
<tr>
<td>Isle of Man</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income, and nonresidents are normally taxed only on income derived from Isle of Man. Generally, anyone who resides in the country for six months or more is deemed to be a resident for tax purposes.</td>
</tr>
<tr>
<td>Country</td>
<td>Taxation Method</td>
<td>Remarks</td>
</tr>
<tr>
<td>-----------</td>
<td>----------------------------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Italy</td>
<td>Worldwide</td>
<td>Generally, residents are taxed on their worldwide income, and nonresidents are usually taxed only on their Italian-source income. Individuals who have resided or have been domiciled in Italy for more than 183 days in a calendar year are considered to be residents. There is an anti-abuse law that normally requires Italian citizens who move to countries considered to be “tax havens” to be deemed as residents for tax purposes.</td>
</tr>
<tr>
<td>Liechtenstein</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income, and nonresidents are normally taxed only on their income derived from the country. A person is considered to be a resident if he/she resides in the country and performs a gainful activity (employed or self-employed).</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income, and nonresidents are taxed only on their income derived from Luxembourg. Anyone who resides in the country for more than six months within a 12-month period is considered to be a resident.</td>
</tr>
<tr>
<td>Malta</td>
<td>Worldwide</td>
<td>Residents who are both ordinarily resident and domiciled in Malta are taxed on their worldwide income. Anyone who is not ordinarily resident or domiciled in Malta is subject to tax only on income derived in the country and any</td>
</tr>
</tbody>
</table>
foreign income remitted to Malta. There are some specific rules concerning residence, ordinary residence, domicile, locality of income, and the remittance of income to Malta.

Netherlands  Worldwide  Residents are taxed on their worldwide income, and nonresidents are taxed only on income derived from specific sources in the Netherlands. Facts and circumstances determine a person’s residence.

Norway  Worldwide  Residents are subject to tax on their worldwide income while nonresidents are taxed only on their compensation related to Norwegian sources. Anyone who resides in the country for more than six months is considered to be a resident.

Poland  Worldwide  Anyone who has a residence in Poland (regardless of how long he/she resides in the country) is taxed on worldwide income; nonresidents are taxed only on income earned in Poland or from sources located in Poland.

Portugal  Worldwide  Residents are taxed on their worldwide income at progressive rates from 12% to 40%; nonresidents are taxed only on their Portuguese-source income at a flat rate of 25%. Generally, a person who resides for more than 183 days in a calendar year is deemed to be a resident.

Romania  Worldwide  Residents are taxed on their worldwide income, except for salary income earned in other
countries. Nonresidents are taxed, generally, only on their Romanian-source income. Individuals are usually considered to be residents if they reside in the country for more than 183 days in a calendar year.

<table>
<thead>
<tr>
<th>Country</th>
<th>Taxation Area</th>
<th>Residence Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slovak Republic</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income whether or not the income is remitted to the Slovak Republic. Nonresidents are taxed only on their Slovak-source income. Individuals who reside in the country for more than 183 days in a calendar year are deemed to be residents.</td>
</tr>
<tr>
<td>Slovenia</td>
<td>Worldwide</td>
<td>Residents are taxed on their Slovenian-source income and on certain types of worldwide income; nonresidents are usually taxed only on their Slovenian-source income. Normally, a person who resides in the country for six consecutive months in a calendar year is considered to be a resident.</td>
</tr>
<tr>
<td>Spain</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income; nonresidents are taxed only on their Spanish-source income, capital gains, and wealth in Spain. An individual who resides in Spain for more than 183 days in a calendar year or has Spain as his/her center of economic interest is deemed to be a resident.</td>
</tr>
<tr>
<td>Sweden</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income;</td>
</tr>
</tbody>
</table>
nonresidents are normally taxed only on Swedish-source income. Individuals who reside in Sweden for more than six months continuously are considered to be residents. Generally, Swedish citizens and foreigners who have resided in Sweden for ten years are deemed to be residents unless they can prove otherwise.

**Switzerland**

Residents, including persons who intend to have gainful employment for more than 30 days or reside more than 90 days without having gainful employment in Switzerland, are subject to tax on their worldwide income and wealth. Nonresidents are taxed only on limited sources of Swiss income. Swiss taxes are almost always paid by withholding taxes.

**United Kingdom**

Residents are taxed on their worldwide income and capital gains; nonresidents are normally taxed on their U.K. income (but usually not on capital gains). A person who is a resident but is not domiciled in the U.K. normally pays taxes only if the income is received in the U.K. There are several specific tax laws relating to domicility and residency; generally, individuals who reside in the U.K. for more than 183 days in the calendar year are considered to be residents.
<table>
<thead>
<tr>
<th>Country</th>
<th>Type</th>
<th>Taxation Details</th>
</tr>
</thead>
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<tr>
<td>Bahrain</td>
<td>None</td>
<td>There is no individual income tax.</td>
</tr>
<tr>
<td>Botswana</td>
<td>Territorial</td>
<td>Residents are taxed on income within Botswana; income for services performed outside the country is deemed to be from a Botswana source if the services are incidental to employment in Botswana. Nonresidents are taxed only on income earned in Botswana. A person is considered to be a resident if he/she resided in the country for 183 days or more in a calendar year.</td>
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<tr>
<td>Brunei Darussalam</td>
<td>None</td>
<td>All income tax for individuals is waived.</td>
</tr>
<tr>
<td>Congo</td>
<td>Territorial</td>
<td>Residents and nonresidents are taxed only on professional, commercial, and employment activities in Congo; on rental of real estate in Congo; and from domestic investments.</td>
</tr>
<tr>
<td>Ghana</td>
<td>Territorial</td>
<td>Residents are taxed only on income accruing in, derived from, brought into, or received in Ghana. Nonresidents are taxed (at a flat rate of 20%) only on income derived in Ghana from any trade, business, profession, vocation, or employment in Ghana. A person who resides in the country for 183 days or more in a calendar year is deemed to be a resident.</td>
</tr>
<tr>
<td>Country</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income; Nonresidents are normally taxed only on their Iranian-source income. People who reside in Iran for more than six months in a calendar year are deemed to be residents.</td>
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<tr>
<td>Israel</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income. Nonresidents are taxed only on their Israeli-source income and capital gains from assets situated in Israel. A tax resident is a person whose center of life is in Israel; there are several rules in the determination of “center of life” (including 183 days or more in a calendar year).</td>
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<td>Ivory Coast</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income; nonresidents are normally taxed only on their Ivory Coast income.</td>
</tr>
<tr>
<td>Kenya</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income; nonresidents are normally taxed only on their Kenyan-source income. A resident is a person who has a permanent home in Kenya and resides in the country for any period of time in a tax year, or a person who resides in Kenya for 183 days or more in any tax year or an average of more than 122 days within three consecutive tax years.</td>
</tr>
<tr>
<td>Mauritius</td>
<td>Worldwide</td>
<td>Residents are normally taxed on their worldwide income;</td>
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</tbody>
</table>
however, income earned outside Mauritius is taxed only to the extent that it is received in Mauritius. Nonresidents are normally taxed only on income derived from Mauritius. An individual is a resident if he/she is domiciled in the country or resides in the country for 183 days or more in a calendar year or resides in the country for 270 days or more within a 3-year period.

<table>
<thead>
<tr>
<th>Country</th>
<th>Taxation Basis</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income while nonresidents are taxed on their income arising in Mozambique. A person is a resident if he/she resides in the country for more than 183 days in a calendar year or occupies a residence indicating intent to continue occupancy on a regular basis. Crew members of a vessel or an airplane registered in Mozambique are deemed to be residents.</td>
</tr>
<tr>
<td>Namibia</td>
<td>Territorial</td>
<td>Residents and nonresidents are taxed only on income derived or deemed to be derived from sources within Namibia.</td>
</tr>
<tr>
<td>Oman</td>
<td>None</td>
<td>There is no individual income tax.</td>
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<tr>
<td>Saudi Arabia</td>
<td>None</td>
<td>There is no individual income tax.</td>
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<tr>
<td>South Africa</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income, and nonresidents are taxed only on</td>
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<tr>
<td>Country</td>
<td>Taxation Basis</td>
<td>Taxation Scope</td>
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<tr>
<td>Swaziland</td>
<td>Territorial</td>
<td>Residents and nonresidents are taxed only on income derived or deemed to be derived within Swaziland. The tax laws do not specifically define residency, but, generally, anyone who is employed or operates a business in the country is considered to be a resident.</td>
</tr>
<tr>
<td>Tanzania</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income, and nonresidents are taxed only on their Tanzanian-source income. A person is a resident if he/she has a permanent home in the country and resides in the country during any time of a tax year or resides in Tanzania for more than 183 days in a calendar year or resides an average of more than 122 days per year in a 3-year period.</td>
</tr>
<tr>
<td>Uganda</td>
<td>Worldwide</td>
<td>Residents are taxed on their worldwide income, and nonresidents are normally taxed only on their Ugandan-source income. A resident is an individual who has a permanent home in Uganda or resides in the country for 183 days or more in a calendar year or resides in the country for an average of 122 days or more per year for a 3-year period.</td>
</tr>
<tr>
<td>Zambia</td>
<td>Territorial</td>
<td>Residents are taxed only on their South African-source income. Persons who reside in the country 183 days or more in a fiscal year are deemed to be residents for tax purposes.</td>
</tr>
</tbody>
</table>
Zambian-source income and foreign interest and dividends received by Zambian citizens and residents (including expatriates). Nonresidents are taxed only on Zambian-source income. If individuals reside in the country for less than 183 days in a calendar year and have no plans to establish permanent residency in the country, they are treated as nonresidents.

Zimbabwe
Territorial
Residents are normally taxed on income sources derived in Zimbabwe and on foreign investment income, and nonresidents are taxed only on income sources derived in Zimbabwe. There are no specific tax rules to define residency, and the individual’s status is based on facts and circumstances.
Human Resource Practices, Job Embeddedness, and Voluntary Turnover

ERICH BERGIEL  
University of West Georgia  
ebergiel@westga.edu

VINH Q. NGUYEN  
Mississippi State University  
vqn2@msstate.edu

G. STEPHEN TAYLOR  
Mississippi State University  
staylor@cobilan.msstate.edu

BETH CLENNEY  
University of West Georgia  
bclenney@westga.edu

ABSTRACT
Human resource practices are thought to play an important role in affecting employee turnover but this relationship is mediated by several variables. Moreover, empirical evidence consistently shows that attitudes about these practices explain only a very small amount of variance in outcomes such as intent to quit and actual turnover. The study presented here used job embeddedness, a new construct, to investigate its mediation effect on the relationship between employees’ intentions to leave and four areas of human resource practices: compensation, supervisor support, growth opportunity, and training. The findings showed that human resource practices, overall, were mediated by job embeddedness in relation to voluntary turnover. Specifically, job embeddedness fully mediated compensation, partially mediated supervisor support, marginally mediated growth opportunity, and did not mediate training in the relation to voluntary turnover. Theoretical and practical implications of the finding and direction for future research are discussed.
INTRODUCTION

The effective management of employee turnover long has been a crucial issue for organizations. Not only are the economic costs of turnover very high, but unmanaged departure of employees disrupts social and communication structures as well as decreases cohesion and commitment among those who stay (Mobley, 1982; Staw, 1980). Thus, it is hardly surprising that employee retention continues to be of great interest both to practicing managers and organizational researchers. The current thinking is that people stay if they are satisfied with their jobs and committed to their organizations, and leave if they are not. However, work and job-related attitudes play only a relatively small role in employee retention and leaving (Hom & Griffeth, 1995; Griffeth, Hom, & Gaertner, 2000). Consequently, factors other than job satisfaction and organizational commitment are important for understanding turnover (Maertz & Campion, 1998). A relatively new approach to this issue has been offered by Mitchell and colleagues (2001). These researchers argue that job embeddedness is a direct antecedent both of intent to quit and voluntary turnover. The study reported here expands on their work by testing whether embedness is a mediator of the relationship between certain job-related attitudes and employees’ intention to quit.

RESEARCH, BACKGROUND, AND HYPOTHESES

Efforts to elucidate the causes of voluntary turnover of employees have focused on individual-level factors, such as personal preferences, and organizational-level factors, such as human resource practices (Deutsch, Langton, and Aldrich, 2000). Individual-level explanations stress the differences among people, often by examining the process by which jobholders consider other employment possibilities (Lee & Mitchell, 1994; Deutsch et al., 2000). Individual-level studies traditionally link employees’ interest in changing jobs to their level of job satisfaction (e.g., Mobley, Griffeth, Hand & Meglino, 1979). However, empirical studies show that attitudinal constructs such as job satisfaction account for less than five percent of the total variance in turnover (Hom & Griffith, 1995; Griffeth et al., 2000). Other frequently studied individual-level factors include organizational commitment (Pierce and Dunham, 1987), job involvement (Blau, 1986), and job performance (Williams & Livingstone, 1990).

The present study, while concentrating on individual-level factors, adds to our knowledge of turnover by examining the relative impact of job embeddedness on employees’ desire to work elsewhere. Job embeddedness, a new construct developed by Mitchell, et al. (2001), consists of three dimensions: (1) links to other people, teams, and groups, (2) self-perceptions of fit with the job, organization, and community, and (3) perceived sacrifices associated with changing jobs. To date, job embeddedness has been shown to predict both intent to leave and voluntary turnover. Furthermore, it explains statistically significant incremental variance over and above job satisfaction, organizational commitment, job alternatives, and job search (Mitchell, et al., 2001). However, the impact of this construct in the presence of individual-level variables known to impact turnover - attitudes toward compensation, perceived supervisor support, internal growth opportunities, and training (e.g., Shaw et al., 1998; Stinglhamber and Vandenberghe, 2003; Allen, Shore, and Griffeth, 2003) - has not been assessed.
Compensation
One purpose both of direct and indirect compensation is to enhance employees’ motivation and attachment to the organization (Appelbaum et al., 2000; Arthur, 1994). Both meta-analyses (Cotton and Tuttle, 1986; Hom and Griffeth, 1995) and empirical studies (e.g., Shaw et al. 1998) show an inverse relationship between high relative pay and/or pay satisfaction, and employee turnover. Additionally, Trevor, Barry, and Boudreau (1997) found that strong salary growth significantly reduced turnover for high performing employees. According to Williams and Livingstone (1994), in organizations using performance-contingent reward systems, high-performing individuals who were well compensated were less likely to quit than those with lower levels of rewards and performance. Thus, the following hypothesis is offered:

H1: Compensation is negatively related to intention to quit.

Supervisor Support
Supportive supervisors are those who employees perceive as valuing their contributions and caring about their well-being (Kottke & Sharafinski, 1988). For example, a supervisor who switches schedules to accommodate employees’ needs, listens to their problems, organizes tasks or duties to accommodate their family responsibilities, and shares ideas or advice can be seen as supportive. Hatton and Emerson (1998) found that employee intention to leave and actual turnover were related to level of practical support from supervisors. Although a number of organizational factors can make employees begin to think of leaving their jobs, according to these researchers the supervisor plays an important role in whether they actually do so. While Stinglhamber and Vandenberghe (2003) also found a relationship between these two variables, they argue that affective commitment to the supervisor mediates the effect of perceived supervisor support on turnover. There is agreement, however, that supervisor support is negatively associated with turnover intention.

H2: Supervisor support is negatively related to intention to quit.

Growth Opportunities
Miller and Wheeler (1992) along with Allen, Shore, and Griffeth (2003) found a statistically significant negative relationship between growth opportunities and intent to quit. Since growth opportunities signal that the organization recognizes and values the employees’ contributions as well as imply future support will be forthcoming, employees tend to stay longer with the organization (Wayne et al., 1997; Allen et al., 2003). Therefore, organizations may improve their employees’ retention rates by enhancing their advancement opportunities.

H3: Growth opportunities are negatively related to employee’s intention to quit.

Training
Shaw and colleagues (1998) argue that providing employees with sufficient training opportunities is an investment strategy for job stability. Moreover, these researchers maintain that such actions by the organization constitute a crucial part of its fulfillment of
the informal contract between itself and employees. This in turn should deepen employees’ sense of attachment to the organization and, therefore, enhance retention. Furthermore, in terms of Mitchell and associates’ (2001) job embeddness construct, training opportunities should improve the fit between the individual and job, as well as represent a sacrifice that must be experienced if the employee chooses to take employment elsewhere. Therefore, it is predicted that:

H4: Perceived training opportunities will be negatively related to intention to quit.

Job Embeddedness as Mediator

While each of the abovementioned variables has been shown to have a significant impact on employee turnover, the empirical evidence reveals that the magnitude of the direct effects of each on turnover is pretty small (Griffeth et al., 2000). This suggests that attitudes directly related to the job might be somewhat distal determinants of turnover. If so, then it is likely that the relationship is mediated by an intervening factor. It is hypothesized here that job embeddedness is a likely mediator of this relationship.

Mitchell and colleagues (2001) describe “job embeddedness” as being similar to a net or web in which an individual can become stuck. The critical aspects of job embeddedness are (1) “links,” or the extent to which people have links to other people or activities, (2) “fit,” the extent to which their jobs and communities are similar to or fit with the other aspects of their lives, and (3) “sacrifice,” which denotes the ease with which links can be broken (i.e., the things employees would give up if they left the employer, especially if they had to physically move to other cities or homes (Mitchell et al., 2001). While these dimensions have both job-related and non-job-related sources, the current research considers only internal links, fit, and sacrifice (i.e., job-related sources).

**Links.** These are formal or informal connections between a person and institutions or other people (Mitchell et al., 2001). Links can be thought of as strands that connect an employee with his or her work team members, supervisors, and other colleagues with whom he or she is working. The greater the number of links, the stronger the web and, therefore, the more tightly the individual is bound to the job and organization (Mitchell et al., 2001). This linking process, or social integration to use O’Reilly, Caldwell, and Barnett’s (1989) term, typically increases with employee tenure and thereby reduces an individual’s desire to work elsewhere (e.g., Abelson, 1987).

**Fit.** Fit denotes an employee’s perceived compatibility or comfort with the organization and with his or her environment (Mitchell et al., 2001). Mitchell and his colleagues propose that an employee’s personal values, career goals, and plans for the future must fit both with the larger corporate culture and the demands of his or her immediate job. Accordingly, the better the fit, the higher the likelihood an employee will feel professionally and personally tied to an organization.

Relating fit to voluntary turnover, O’Reilly, Chatman, and Caldwell (1991) found that “misfits” quit slightly faster than “fits.” Chatman (1991) later reported that employees
were likely to leave an organization when organizational entry produced poor person-organization fit. Chan (1996) suggested that having one’s personal attributes fit with one’s job might decrease turnover. Thus, a person’s fit with job and organization influences his or her attachment to the organization.

**Sacrifice.** Sacrifice captures the perceived costs of material or psychological benefits that may be forfeited by leaving a job (Mitchell et al., 2001). For example, leaving an organization may imply personal losses such as giving up colleagues, interesting projects, or cash bonuses. The more an employee would give up when leaving, the more difficult it will be for him or her to break employment with the organization (Shaw, Delery, Jenkins, & Gupta, 1998). Though comparable salary and benefits may be the obvious concern of employees, the switching costs, such as new health care or pension plans, are also real and relevant.

Less visible, but still important, potential sacrifices incurred by leaving an organization include opportunities for job stability and advancement (Shaw et al., 1998). In addition, various advantages can accrue to an individual who stays (e.g., promotion or pension benefit). Taking a new job means giving up these accrued advantages. It is for these reasons that job embeddedness, or the sum total of the three dimensions just discussed, is hypothesized to mediate the impact of job-related attitudes on intent to quit. Consider an employee who is dissatisfied with his or her pay level. In all likelihood, it is very unlikely this individual would make the decision to quit absent a variety of other considerations. For example, if this person sees opportunity for growth and advancement in the organization, then he or she may be willing to experience short-term dissatisfaction in exchange for long-term benefit and satisfaction. Similarly, it is generally recognized that people work for a variety of reasons other than a paycheck. Thus, an employee who finds the employing organization to satisfy social needs may be willing to work for a less-than-supportive supervisor in exchange for a supportive work group that fills other needs. Therefore, the following is hypothesized:

H5: The impact of attitudes toward compensation, supervisor support, growth opportunities, and training on intent to quit is mediated at the degree to which an employee feels embedded in his/her job.

**METHODS**

**Sample**
All 645 support/staff employees working for a state department of corrections in the Southeastern United States received a questionnaire asking their attitudes about the job, the place of employment, and the agency as a whole. Of this number, 495 (76.5%) chose to participate.

**Measures**
Unless noted differently, the following constructs were measured by Likert scales with responses ranging from 1 (“Strongly Disagree”) to 5 (“Strong Agree”).

**Intention to quit.** Employee’s intention to quit was measured with a 4-item scale. A sample item is “I don’t plan to work here much longer.”
**Compensation.** Five items were used to create the composite scale of compensation. A sample item is “I’m paid adequately for the job I have”.

**Supervisor support.** A 5-item scale also was used to assess supervisor support. A sample item is “My supervisor praises people who do good work”.

**Growth opportunity.** Growth opportunity was measured with a 5-item scale. A sample item is “There are plenty of opportunities to advance here.”

**Training.** Training was measured with 7-item scale. A sample of the items is “the organization provides me the training I need to do my job.”

**Job embeddedness.** Following Mitchell et al. (2001), job embeddedness is an aggregate measure created by summing and averaging the means of the fit, links, and sacrifice sub-scales. Fit, an employee’s perceived compatibility or comfort with his or her career and organization, was measured with 7 items. A sample item is “You can have a good career in Corrections.” The 7 items were then averaged to create the composite scale of fit. Links, the interpersonal connections between an employee and his or her co-workers or team members, was measured with two items. One was an ordinal measurement of tenure (less than 1 year, at least 1 but less than 3 years, at least 3 but less than 5 years, more than 5 years) and a dichotomous measure asking if the respondent has a friend who also works at the same location). Sacrifice, the perceived cost of both intangible and tangible benefits that may be forfeited by leaving a job, was measured with 4-item scale. A sample item is “Employees here are treated with respect.” These three scales (fit, links, and sacrifice) then were summed and averaged to create the aggregate scale of job embeddedness.

**ANALYSIS AND RESULTS**

The study uses the four-step method developed by Kenny, Kashy, and Bolger (1998) and Baron and Kenny (1986) for mediation analysis. Step 1 of the regression analysis uses intention to quit as the criterion variable and human resource practices as a predictor. This step revealed that these human resource practices were significantly related to employees’ intention to quit ($R^2 = .24, F = 38.76, p < .001$). This establishes that there is an effect that may be mediated. Looking at individual independent variables in Step 1, compensation, supervisor support, and training were significantly related to intention to quit, whereas growth opportunity was marginally significantly correlated with intention to quit. Thus, Hypotheses 1, 2, and 4 were supported and Hypothesis 3 was not.

In Step 2, job embeddedness served as the criterion variable and human resource practices as the predictors. Overall, human resource practices were significantly and strongly related to job embeddedness ($R^2 = .34, F = 63.53, p < .001$). This step showed that the antecedent variables are correlated with the mediator. Looking at each independent variable (Step 2), compensation, supervisor support, and growth opportunity were significantly related with job embeddedness, whereas training was not.

In the third step, we conducted another regression using intention to quit as the criterion variable and both human resource practices and job embeddedness as predictors. It was found that job embeddedness was significantly related to intention to quit when controlling for human resource practices ($R^2$ from Step 1 to Step 3 = .15, $\Delta F = 121.60, p < .001$). As for the individual predictors, compensation and growth opportunity now
become non-significantly related to intention to quit, whereas supervisor support and training are still significantly related to intention to quit (Step 3). Thus, taking all three steps together, job embeddedness is found to mediate the relationship between human resource practices and employees’ intention to quit. The overall hypothesis of the study, Hypothesis 5, therefore, is supported. However, because this relationship is only partially mediated, we then use Sobel’s (1986) and MacKinnon and Dwyer’s (1993) test to confirm the mediation effect of job embeddedness in the whole model. The result showed that the mediated effect of job embeddedness is statistically significant ($\text{Mediated effect} = -.12$; $Z$-score = -5.99; $p < .001$). This result again strongly supports the hypothesis that human resource practices are negatively related to employee’s intention to quit, which is mediated by job embeddedness.

Of the individual predictors, compensation was significantly related to intention to quit in the first step and significantly related to job embeddedness in the second step, but became non-significantly related to turnover intention in the third step. This suggests that job embeddedness fully mediates the relationship between compensation and employee’s intention to quit. Again by way of Sobel’s (1986) test, we were able to confirm the statistical significance of this mediated effect ($\text{Mediated effect} = -.13$; $Z$-score = -5.69; $p < .001$). This result, therefore, shows that the inverse relationship between compensation and intent to quit is fully mediated by job embeddedness.

These results also show that supervisor support was significantly related to intention to quit and job embeddedness in Steps 1 and 2, respectively. In Step 3, the relationship between supervisor support and intention to quit was still significant, but the magnitude of significance was reduced (the reduction in $\beta$s from step 1 to step 3). This suggests that job embeddedness partly mediates the relationship between supervisor support and intention to quit. Sobel’s (1986) procedure again was employed to test the significance of this mediated effect. Although small, the mediated effect is statistically significant ($\text{Mediated effect} = -.07$; $Z$-score = -4.42; $p < .001$). Thus, job embeddedness is found to partially mediate the relationship between supervisor support and employees’ intention to quit.

Growth opportunity, in Step 1, had a marginally significant relationship with intention to quit. In Step 2, this predictor was significantly related to job embeddedness, while in the third step, this relationship became non-significant. There is, therefore, evidence that job embeddedness also mediated this relationship in a statistically significant manner ($\text{Mediated effect} = -.08$; $Z$-score = -3.56; $p < .001$). This confirms the mediation effect of job embeddedness on the relationship between growth opportunity and intention to quit.

Finally training was not significantly related to job embeddedness in Step 2. This violates the condition for establishing a mediation effect (Kenny, Kashy, and Bolger, 1998; Baron and Kenny, 1986). Therefore, the relationship between training and employee’s intention to quit was not mediated by job embeddedness. To confirm this conclusion, we once again calculated the mediated effect by using Sobel’s (1986) and MacKinnon & Dwyer’s (1993) formulas. The result showed that the mediated effect is not statistically significant.
(Mediated effect = -.01; Z-score = -.77; p = .44). Thus, job embeddedness does not mediate the relationship between training and intention to quit.

DISCUSSION AND CONCLUSION

This current study explored, at the individual level of analysis, the issue of employees’ voluntary turnover. It is unique in that the study used job embeddedness to explain the relationship between human resource practices and employees’ intention to quit. As Allen, Shore, and Griffeth (2003) pointed out, little explanation has been offered for how human resource practices influence individual turnover decisions. This study offers some insight into this process. Specifically, this study found that overall human resource practices are negatively related to employees’ intention to quit, which is mediated by job embeddedness.

Among human resource practices, compensation is found to be fully mediated by job embeddedness in the relation to employee’s intention to quit. It is quite clear that when thinking about quitting a job, an employee often considers tangible benefits (i.e., compensation) from the current organization that he or she has to sacrifice. Concerning supervisor support, this study found that job embeddedness partially mediates the relationship between it and employees’ intent to quit. The explanation for this is that by providing guidelines, suggestions, assistance, trust in and praise for their subordinates, supervisors can help employees better fit with their jobs and the organization, as well as build better links to colleagues. This suggests that employees would be more embedded in their jobs when they received more support from supervisors which is consistent with previous studies (e.g., Stinglhamber & Vandenberghe, 2003).

Similar to supervisor support, growth opportunity is also negatively related to turnover, although this relationship is mediated by job embeddedness. Growth opportunity implies that employees would have better positions, better salaries, or better work environments. It would be a sacrifice for employees to leave an organization which offer such good growth opportunities. Moreover, growth opportunity means that employees can have chances to develop and demonstrate their potential, which should lead them to better fit their jobs and the organization. Thus, employees would be more embedded in their job and less likely to leave when there is an abundance of growth opportunities.

Contrary to our expectation, the relationship between training and intention to quit is not mediated by job embeddedness. Instead, training is directly related to employee’s intention to quit. This seems a little contradictory, but is consistent with previous research that provides conflicting results on training and employee’s intention to quit. The relationships among training, voluntary turnover, and job embeddedness, therefore, clearly requires further elucidation.

Consistent with the findings of Mitchell and his colleagues (2001), job embeddedness in this study also has a strong relationship with employees’ voluntary turnover as it explained roughly 34% of the variance in the intention to quit. Given the nature of social science research, this is an appreciable amount of explained variance. Consequently, it may indicate that job embeddedness warrants further research in attempts to better
understand such organizational phenomena as absenteeism, work performance, and organizational citizenship behaviors.

REFERENCES


The Social Exchange of Sales: Assessing Antecedents of Technical Work Compliance and Customer Service Performance

Erich Bergiel  
Department of Management  
Richards College of Business  
University of West Georgia  
Carrollton, GA 30118-3030  
Tel. (678) 839-4840  
ebergiel@westga.edu

Jon Anderson  
University of West Georgia  
janderso@westga.edu

Beth Clenney  
University of West Georgia  
bclenney@westga.edu

Abstract

This study examined the influence of potential antecedents of technical work compliance and customer service performance in the sales industry. Social exchange provided the theoretical underpinnings for the selection of the potential antecedents. Results indicate that certain variables will have separate and unique influence on the chosen performance measures. Specifically, customer orientation was the only variable tested that positively influenced customer service rating. Additionally, informational justice showed to positively influence technical rating while interpersonal justice negatively influenced technical rating.
Introduction

The sales industry continues to grow with a number of the companies within the industry relying solely on the efforts of their sales force to drive product sales (Lopez et al., 2005). Coinciding with this growth, and given the importance of the sales industry, an important focus in research is improving sales performance. In actuality, it has been argued that salesperson performance is one of the most widely researched topics in the field of marketing (Mackenzie, Podsakoff, & Ahearne, 1998). Yet, even with this heavy emphasis on the influential factors of sales performance, results have historically been both inconsistent and inconclusive. While a number of factors could be to blame for these conclusions, studies have indicated both a lack of variance explained by potential antecedents of sales performance and the ineffectiveness of the measures of sales performance are the root cause.

The purpose of this study is to begin to address these issues by shifting the current paradigm to attempt to further clarify the nomological network associated with sales performance. The theoretical underpinnings for this paradigm shift will be social exchange theory. There has been a proliferation of relational marketing studies focusing on nurturing customer relationships within the sales industry. Recently social exchange theory has been utilized as a theoretical basis to advance these studies. This paper will attempt to further this advancement by assessing the impact of variables commonly associated with social exchange theory on sales performance. Additionally, influence of these variables will be assessed on multiple dimensions of sales performance. While the effects of some of the variables on sales performance have been studied, the measures of sales performance chosen for this study more accurately align with the current conceptualization of sales performance as a controllable behavior rather than an uncontrollable outcome. Results suggest that the variables chosen for this study not only provide substantial influence on sales performance but that often their effects are uniquely dependent on the measure of sales performance utilized.

Research Overview and Study Hypotheses

Both managers and research have long sought to better understand the determinants of effective salespeople. However, a few prominent issues continue to resurface that hinder the advancement of this research. One of these issues is that the quantitative synthesis of hundreds of empirical articles have indicated that factors such as personal characteristics, role perceptions, and job attributes typically account for 10% or less of the variance in salesperson performance (e.g., Brown & Peterson 1993; Churchill et al., 1985). Thus researchers have insisted that identifying additional predictors of performance could prove beneficial in the selection, training, and managing of salespeople (Franke & Park, 2006). To accomplish this, researchers have begun to search outside the normal research paradigm associated with marketing in order to initiate some advancement in the understanding of the determinants of effective sales performance. One such paradigm that has received increased attention is associated with social exchange theory.
Social exchange theory argues that individuals will reciprocate favorable treatment. It has predominately been utilized as a theoretical basis in the management literature to enhance employee commitment and performance. For instance, it has been hypothesized that based on social exchange theory employees will trade their efforts for the promise of material and personal rewards (e.g., money, service, as well as socioemotional resources such as approval and respect) the organization may offer in the future. Recently researchers have begun to introduce this rational to further explain sales performance. Thus, suggesting that a determinant of salesperson performance may in fact be influenced by the social exchange relationship between the salesperson and their employer. The objective of this paper is to further explore these relationships by assessing the potential influence of social exchange grounded individual-level effects on sales performance. These individual-level effects include the variables organizational commitment, organizational justice, and customer orientation (CO). While the influence of some of these variables on performance outcomes has been assessed, this study will attempt to advance current research by assessing the impact of these variables on more accurately representative variables of sales performance.

In the seminal meta-analysis conducted by Churchill et al., (1985), they suggested that in regards to performance measurement, a distinction has to be made between performance outcomes and desirable behaviors, especially in the selling context. They describe performance outcomes as “behavior as evaluated in terms of its contribution to the goals of the organization” (pg. 116). Performance outcomes are those factors most commonly measured in sales-industry-oriented research. These include such objective measures as sales quota. The argument from Churchill et al., (1985) is that there are a number of uncontrollable factors that do not accurately reflect the actual sales performance of the individual salesperson. For instance, if the individual does not meet his or her sales quota the cause could be that individual salesperson, or it could be the product or service, the quota, or even a change in the environment. Therefore, Churchill et al., (1985) and industrial psychologists alike have argued that sales performance measures should focus on the behaviors of the individual salesperson that they can more directly control. It is proposed that the measures chosen for this study, customer service rating and technical rating, fulfill these requirements. The following sections will provide theoretical support for the relationships between the chosen social exchange grounded variables and these measures.

**Commitment and Sales Performance**

Organizational commitment is a central tenant of social exchange. Researchers have suggested that when employees are committed to their organization they will perform better, and there is a reduced likelihood of them quitting their jobs (Meyer & Allen, 1997). However, employees are equally concerned with the organization’s commitment to them. Employees that are valued by the organization can benefit from enhanced care and concern demonstrated by better treatment such as respect, responsibility, pay, and promotion (Rhoades & Eisenberger, 2002). Social exchange theory then provides the framework for the parties involved to reach a mutually beneficial relationship. When the organization demonstrates care and concern for its employees, under social exchange these employees will feel increasingly obligated and committed to reciprocate the
favorable treatment they have received. Ultimately these enhanced feelings of commitment will lead to behaviors by the employee that they feel benefit the organization, and thus repay the organization for its favorable treatment. It is hypothesized here that commitment to the organization should not be limited to any specific area of performance, but rather should encompass any aspect the employee feels reciprocates favorable treatment. Therefore, both performance measures assessed should benefit from enhanced levels of organizational commitment. Specifically,

*Hypotheses 1a:* Commitment will be positively related to customer service rating.

*Hypotheses 1b:* Commitment will be positively related to technical rating.

**Organizational Justice and Sales Performance**

Organizational justice deals with the perceived fairness in which the employees feel they are being treated by the organization. Considerable emphasis has been placed on the topic organizational justice or fairness given the impact that it has on organizational members. Fair treatment provides support to employees that the organization is trustworthy, reducing fears of exploitation while establishing legitimacy of organizational actions (Lind, 2001). Shore and Shore (1995) suggested that repeated instances of fairness in decisions affecting employees will have a positive effect on employees’ interpretation of support by demonstrating care and concern. Social exchange will dictate that the employee will then perform in a way to respond to these interpretations of care and concern. Recent evidence supports this notion of reciprocal behaviors suggesting that fair treatment is associated with a number of outcome variables to include favorable work attitudes and higher job performance (Colquitt et al., 2001).

Historically researchers have suggested that fairness of an organization can be evaluated by employees on three major dimensions. These dimensions are *procedural justice,* which deals with the employee’s interpretation of decision-making procedures (Leventhal, 1980), *distributive justice,* which focuses on an employee’s interpretation of the fairness of rewards and outcomes received (Konovsky, 2000), and finally *interactional justice,* which involves the employee’s interpretation of the quality of interaction between individuals (Cropanzano et al., 2002). Recently there has been move to separate interactional justice into two components: *interpersonal justice* and *informational justice.* Interpersonal justice deals with the extent that decision makers in charge of allocation of rewards demonstrated care and concern for the recipient (Greenberg, 1993). Informational justice deals with the ability of the decision maker to provide information and explanation in regards to the allocation of rewards to the recipient (Greenberg, 1993). As with other dimensions of justice these dimensions will illicit behaviors favorable to the organization.

However, at issue here is what type of behaviors will these dimensions of justice illicit? The employee’s perceptions of informational and interactional justice will be derived from the exchanges he or she has with his or her employer. Therefore, based on social exchange theory it is posited that any satisfaction that the employee gets from these exchanges will require the employee to reciprocate in kind to the provider of that
satisfaction. In this case it will be that employee’s direct employer or manager. One way the employer can manifest this reciprocal behavior is through enhanced performance of his or her job. While it can be argued that improved customer service rating would represent this, it is suggested that the link will not be as direct or visible to the employee as the organization’s actual evaluation of his or her performance. Thus, these dimensions of justice will have the most direct influence on the technical rating of the salesperson. Reason being is that both forms of justice relate to the communication between an employer and salesperson. One message that would be communicated would be the expected conduct of that salesperson’s job. If this message is conveyed to the salesperson in a respectful manner (interactional justice) so that the salesperson clearly understands what is expected (informational justice), the salesperson will be more inclined to perform his or her task effectively to demonstrate appreciation for the fairness shown by the employer. Specifically,

**Hypotheses 2:** Interpersonal justice will be positively related to technical rating.

**Hypotheses 3:** Informational justice will be positively related to technical rating.

### Customer Orientation and Sales Performance

With the increased emphasis on relational marketing a great deal of attention has been given to a salesperson’s CO. Saxe and Weitz (1982), describe CO as the degree to which a salesperson practices the marketing concept by trying to help his or her customer make a purchase decision that will satisfy the customer’s needs. Thus, it has been argued that CO is the trait or behavior of that individual salesperson that wants to ensure the customer has a satisfactory experience. While the relationship between CO and sales performance has been supported empirically (e.g., Brown et al., 2002), it has yet to be linked with social exchange theory. More commonly social exchange is associated with the relationship between the employer and employee; yet with CO the relationship is between the salesperson and the customer. However, the theoretical underpinnings are still the same. Salespersons with high levels of CO will concentrate on providing the customer with satisfactory service that they will demonstrate by care and concern for the customer’s specific needs. Under social exchange the customer will feel inclined to return such favorable treatment. However, within the salesperson-customer relationship, the customer has very limited options available to demonstrate such behaviors. One method they do have at their disposal is the customer service rating form. Thus it is hypothesized that salespersons with high levels of CO will provide satisfactory service to customers, who will return this service by responding favorably on customer service rating surveys. Specifically,

**Hypotheses 4:** Customer service orientation will be positively related to customer service rating.

Figure 1 illustrates the hypothesized relationships investigated in this study.
Methods

Sample
To test the hypotheses data was collected from employees at an international call center located in the southeast United States of America. The survey focused on exploring employee’s relationship with the organization and their feelings about customer service and work. Employees were given paid time off the phones to complete the survey. Of the 200 employees at the call center, 131 provided useable responses for a response rate of 66%. Respondents included more females than males (67%), 68% of respondents reported their race as white, 23% reported their race as black. Respondents reported a mean age of 25 years, and a mean of 14 years of formal education.

Measures
Unless noted differently, the following constructs were measured by Likert scales with responses ranging from 1 (“Strongly Disagree”) to 5 (“Strong Agree”). The Cronbach’s Alpha for all measures was over the acceptable standard of .70 (Nunnally & Bernstein, 1994).

*Commitment.* Commitment was measured with a 6-item scale developed by Meyer, Allan, and Smith (1993). A sample item is “I would be very happy to spend the rest of my career with this organization.”

*Informational justice.* Informational justice was measured with a 5-item scale from Colquitt (2001). The items refer to the relationship that the salesperson has with his or her manager. A sample item is “Has (he/she) been candid in (his/her) communications with you?”

*Interpersonal justice.* Interpersonal justice was also measured with a scale from Colquitt (2001). The scale contained four items and also referred to the relationship that
the salesperson has with his or her manager. A sample item is “Has (he/she) treated you in a polite manner?”

Customer orientation. Customer orientation was measured with a 9-item scale developed by the authors. A sample item is “I really enjoy serving my customers.”

Technical Rating. Each month the call center salespeople were evaluated at a minimum of three times on how well they followed prepared call dialogue and the service they provided to the customer. The combined average of these evaluations was used as a measure for technical rating.

Customer Service Rating. Customer service rating is an evaluation completed by the customer on the quality of service they received from the salesperson from the international call center.

Analysis and Results

First an analysis was run to test hypotheses H1a, H2, and H3. To do this, technical rating was entered as the criterion variable in a regression analysis along with the predictor variables organizational commitment, informational justice, and interpersonal justice. While the overall model is statistically significant ($R^2 = .103$, $F = 3.460$, $p < .1$), analysis of individual variables provide mixed results for the hypotheses. As can be seen in Table 1, organizational commitment did not exert any statistical significant influence on the criterion variable technical rating ($t = .987$, $p < .326$, $\beta = .098$), thus providing no support for H1a. However both informational and interpersonal justice did demonstrate a statistically significant influence on technical rating. Consequently while informational justice was in the hypothesized direction ($t = 3.525$, $p < .001$, $\beta = .366$), interpersonal justice was not ($t = -2.174$, $p < .032$, $\beta = -.231$). Therefore, H2 was supported but H3 was not supported.

Next an analysis was run to test hypotheses H1b and H4. To do this, a regression analysis was run with customer service rating as the criterion variable and organizational commitment and customer orientation as the predictor variable. The overall model for this scenario was not statistically significant ($R^2 = .043$, $F = 1.333$, $p < .262$). However, analyses of individual variables provide mixed results for the hypotheses. Once again, as can be seen in Table 1, organizational commitment did not exert any statistical significant influence on the criterion variable customer orientation ($t = -.827$, $p < .410$, $\beta = -.084$), thus providing no support for H1b. Consequently, customer orientation did exert a statistically significant influence on customer service rating as hypothesized ($t = 1.918$, $p < .057$, $\beta = .189$). Therefore, H1b was not supported but H4 was supported.
Table 1
Regression Results for Hypotheses Testing

<table>
<thead>
<tr>
<th>Variables</th>
<th>Technical Rating</th>
<th>Customer Service Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model 1</td>
<td>Model 2</td>
</tr>
<tr>
<td>Organizational Commitment</td>
<td>.098</td>
<td>-.084</td>
</tr>
<tr>
<td>Informational Justice</td>
<td>.366**</td>
<td></td>
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<tr>
<td>Interpersonal Justice</td>
<td>-.231</td>
<td></td>
</tr>
<tr>
<td>Customer Orientation</td>
<td></td>
<td>.189*</td>
</tr>
<tr>
<td></td>
<td>.103**</td>
<td>.043</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>.074**</td>
<td>.011</td>
</tr>
<tr>
<td>F</td>
<td>3.46**</td>
<td>1.333</td>
</tr>
</tbody>
</table>

N =131, *p<.1: **p<.01: ***p<.001

Post Hoc Analysis
Following the analysis of the hypotheses, an additional analysis was conducted to determine if there were any significant relationships that were not hypothesized. First, a regression equation was run to test the relationship between CO and technical rating. To do this, technical rating was entered as the criterion variable in a regression analysis along with the predictor variable CO. Results indicated that CO did not exert any statistical significant influence on the criterion variable technical rating ($t = -1.098, p < .275, \beta = -.105$). Next the relationship between informational and interpersonal justice on customer service rating was assessed. This was accomplished by entering customer service rating as the criterion variable in a regression analysis along with the predictor variables informational and interpersonal justice. Similar to the first post hoc analysis neither informational justice ($t = .267, p < .790, \beta = .020$), nor interpersonal justice ($t = -1.074, p < .118, \beta = .285$), demonstrated any statistically significant relationship with customer service rating.

Discussion and Conclusions
Managers and researchers have constantly struggled to find ways to improve sales performance. This study attempted to address this by incorporating social exchange theory as a framework for potential antecedents. The results of this study provided mixed support for the hypotheses.

First, and contradictory to what was expected, organizational commitment had no influence on either technical rating or customer service rating. These findings do not reflect the majority of the findings from studies on commitment, and actually suggest that
increased feelings of commitment by the salesperson will have no influence on how accurately the salesperson performs their task or how their performance is perceived by customers. Rational for these results may be found in the sample itself. A majority of the sample consisted of college students working part time to earn money for tuition. While they were committed to the organization, similar to task cohesion, they were committed because the organization was a necessary means to an end (i.e. earning money for school). However, since their intentions were most likely not to remain with this organization for a long period of time, their interpretations of reciprocal behavior for their feelings of commitment towards the organization may be situation specific. These salespeople may feel that doing what was required was adequate reciprocal behavior and that just because their feelings of commitment increased this did not mean that they had to increase their level of performance. Additional research needs to be conducted to further clarify this relationship.

Next, the results suggest that while informational justice positively influenced technical rating, interpersonal justice negatively influenced technical rating. This implies that the ability of the employer to convey the message clearly and accurately enhances technical rating while the employer showing care and concern while conveying the message could be detrimental to technical rating. These results may be best explained by Fieldler’s least preferred coworker (LPC) theory. Fiedler states that task oriented leaders do well in the best and worst scenarios. It could be argued that this work environment is a best case scenario and thus a leader that focuses on the task as represented by informational justice may have better results than a leader that focuses on relationships as represented by interpersonal justice.

Lastly, the final hypothesis was supported and suggested that CO does in fact enhance customer service rating. While this was not surprising, some of the results of the post hoc analysis were. Specifically none of the other variables were found to influence customer service rating, and CO was found not to influence technical rating. These results indicate that these variables have specific and unique influences dependent on the performance measures used. This information could be beneficial to practitioners who have specific areas of sales performance they would like to enhance. Regardless, these results have indicated that alternate variables are available that might assist in expanding the nomological network of sales performance, and research should continue to explore other paradigms to continue this expansion. Given the importance of the sales industry, this is obviously a fruitful endeavor.

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Accounting Blogging: Status and Trends

Dr. Dan W. Meyer
Austin Peay State University

Mailing Address: P. O. Box 4416
Kimbrough Hall
Clarksville, TN 37044

e-mail: meyerdw@apsu.edu
Telephone: 931-221-7754

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Accounting Blogging: Status and Trends

Introduction

Certified Public Accountants (CPAs) clearly need to increase their knowledge of new complex laws relevant to their practice areas and adhere to a myriad of new laws drafted to meet the public’s demand for higher ethical standards. These new laws are being written with shorter implementation times and some laws are retroactive. This changing landscape creates more pressure on the professional to not only keep up with the law but also maximize the efficiency with which they are able to review and analyze relevant changes. Timeliness and content have become absolutely essential components of any information delivery in today’s fast-paced business environment. This environment puts additional pressure on CPAs to sell their services to a more discerning and critical clientele following the recent auditing scandals, creating the value for more innovative and efficient delivery of current law changes.

Three approaches used during the last 40 years include:

- Continuing education courses and seminars;
- Academic and practitioner research into accounting and accounting-related topics;
- National expansion of college preparation to 150 hours as a prerequisite to sit for the Certified Public Accountant’s exam.

Each approach has been valuable in meeting the need for improved knowledge, but each has shortcomings:

- Most practitioners can only afford to attend continuing education seminars once or twice per year, with many firms relying more on in-house training;
- Limited reading time for busy practitioners working for higher billable hour levels means that academic and other professional research often is unread;
- Formal university study is rare after the initial degree or degrees are earned.

Additionally, the time gap between the collection of data and publication of academic research is often six months or greater. Therefore, although research content is available, timeliness of transfer of knowledge is lagging and a more efficient delivery of information is needed to transmit relevant knowledge. One response to this situation is Tick Marks, an accounting-and-related-issues blog maintained since May, 2005.

An example of the need for a more timely transmission of accounting knowledge would be in the field of tax patents. Though not widely known, the U. S. Patent Office has granted patents for at least one dozen tax planning techniques and practitioners using those techniques could be unknowingly susceptible to legal action. One source of information about tax patents would be Internet weblogs such as Roth CPA Updates (Kristan) and TaxProf (Caron).

By now, you probably are familiar with blogging (also known as weblogs). Blogs started as a means of personal communication similar to a diary; quickly expanded to politics, pop culture, religion and sports; and are becoming more accepted and prevalent as a means of professional contact; in fact, Wyld defines a blog as a “content management
Blogging is fairly common in the legal profession, but it is less so in accounting. This article will address:

- Active weblogs written by accountants about accounting, auditing and taxation.
- A summary of related blogging, such as personal finance blogging and tax blogging by attorneys.
- The phenomenon of carnivals
- A listing of several accounting news sites and portals.
- Suggested topics for accountants who are interested in becoming bloggers.

### Accounting Blogs

With memories of Enron, Worldcom and other fiascoes fresh in the mind of accountants, it is not surprising that fraud and corporate governance are among the most popular topics of accounting blogs. In the fraud area, Tracy Coenen, a certified public accountant, operates the forensic accounting blog *Fraud Files* and both administers (oversees) and hosts (provides a web site) the *Carnival of Fraud* which frequently includes posts about financial and tax fraud. Ex-financial fraud felon Sam Anton, author of *White Collar Fraud*, points out the dangers of counting on auditors and audit committees with limited “street smarts” to detect fraud. Jack Ciesielski, editor of the *Wall Street Journal*-acclaimed *Analyst’s Accounting Observer* (AAO) writes on both fraud and corporate governance and is a worthwhile source on the topic of “backdating.” Both Big 4 Guy (anonymous author) and *Corporate Governance* (Rhodes) address practice issues related to Sarbanes-Oxley (SOX) while the professional organization Financial Executives International (FEI) maintains a blog updating practitioners on new SOX developments.

Accounting practitioners looking to implement best practices in managing and wishing to expand their practices may find *BSG Trendlines* (Telberg) or *CPA Blog: Marketing for Accountants* by (Rachford) worth their while. Telberg addresses issues ranging from technology to time management to work-life balance for those wanting a better-managed practice while Rachford concentrates on creative ways to market an accounting firm. Bloggers addressing technology issues in accounting include *Tech Gap* (LaFollette) and *CPA Firm Technology Blog* (Tankersley) —good sites to visit if you are considering the perfect device to improve efficiency or purchasing software. A broader range of accounting topics, including tax and personal finance posts, is available from *Tick Marks* (author name omitted for blind review). *Tick Marks* also includes an extensive blogroll for accounting, personal finance and tax blogs plus links to many professional organizations and accounting oversight bodies.

### Auditing Blogs by Accountants

Arens, Elder and Beasley cite reduction in information risk as one of the purposes of auditing, but the recent development of blogs may be able to assist in this process. There are at least three potential ways in which blogs can (and in some cases, do) improve auditing and related financial reporting. They can:

- Be a resource for improving technical skills.
• Increase technological resources available during an audit.
• Augment reporting disclosure, including notes to the financial statements.

Many of these potential means of improvement are in existence, at least to some level. An excellent example of a presently-active blog engaged in providing technical material is Big 4 Guy, which is posted almost daily and provides posts which are both practical and thorough on auditing topics. Presently, no blog exists which frequently explores the interaction of auditing and technology (or even financial reporting and technology) but CPA Firm Technology Blog and Tech Gap have occasionally explored auditing and financial reporting issues in their technology-oriented blogs.

Full disclosure is one of the generally accepted auditing standards and a critical part of satisfactory financial reporting. An interesting development here is the interest shown by SEC Chairman Christopher Cox in allowing blogs to make available corporate financial information so long as the blog is widely available. A number of blogs are already sifting through SEC filings to increase awareness of corporate activities; these include the Analyst’s Accounting Observer (AAO), Found in the Footnotes (Leder), and the 10-Q Detective (Phillips).

**Taxation Blogs by Accountants**

Two taxation blogs written by CPA practitioners were cited during 2006 by the Wall Street Journal in an article entitled “Blog Watch.” Kerry Kerstetter, who appears to be the only tax blogger with posts prior to 2000, gives tax planning advice, supplemented with numerous accounting and political cartoons, in Tax Guru. Joe Kristan produces Roth CPA Updates which covers a wide range of tax topics ranging from court case analyses to tax law changes to developments in tax protest and tax evasion techniques enhanced with a Midwesterner’s dry wit. Poker-playing CPAs who intend to be the next Chris Moneymaker may want to consult Taxable Talk by tax CPA and poker author Russell Fox; he has posted in detail about gambling winning and taxes while also being quite knowledgeable about tax evasion cases. Eva Rosenberg publishes a weekly column at her Tax Mama website and is a frequent contributor to the Accounting WEB news site; like the Tax Guru, Rosenberg’s columns successfully mix humor with good tax advice. Additional tax humor can be enjoyed at the Taxalicious (anonymous editors) site; additionally, the Taxblogger blog community has been started by the founders of this site.

**Taxation Blogs by Non-accountants**

Numerous tax and related blogs, created primarily by lawyers, are well worth perusing. TaxProf (Caron) is frequently cited by mega-blog Instapundit (Reynolds) and serves as a reference point for most tax blogging. Joel Schoenmeyer shows that there is more to death than one might think at Death and Taxes. The Erb law firm updates significant administrative and judicial tax developments on their Taxgirl blog. A number of attorney-developed blogs, often in impressive detail, evaluate tax developments from an ideological perspective. These include A Taxing Matter (Beale), Mauled Again (Maule),
Not all nonaccountant legal and tax-oriented blogs are provided by attorneys. Journalist Kay Bell posts at the catchy Don’t Mess with Taxes and also organizes the Carnival of Taxes. Michelle Golden publishes Golden Practices, which provides marketing advice for a number of professions, including accountants and attorneys.

**Personal Finance Blogs**

The number of personal finance blogs has skyrocketed over the last two years—and many of them are quite informative. To avoid being overwhelmed, here are a few suggestions:

- Go to one of the carnivals listed below, pick out two or three posts that particularly impress you and scroll through the remainder of the poster’s blog;
- Visit Tick Marks’ blog which has an annual “Twelve Blogs of Christmas” feature, posted between Thanksgiving and Christmas, which arguably highlights the best in blogging in accounting, personal finance and tax;
- Explore pfblogs, a constantly-updated collection of personal finance blogs, or the Money Blog Network, a community of six well-known personal finance bloggers.

Somewhere between an accounting and a personal finance blog is Found in the Footnotes (Leder), a must-see for those interested in corporate governance and investing insight. Leder is deservedly praised by financial publications such as Business Week, Chicago Sun Times and the Wall Street Journal for digging into financial statement notes and SEC filings. In many cases, she doubtlessly unearths more about corporations than they would like revealed. Moreover, David Phillips now addresses similar issues in 10-Q Detective.

**Carnivals**

A Carnival is founded when a blogger establishes a regular schedule (usually weekly) where he/she encourages or solicits posts on a specific theme. The development of business-oriented Carnivals started with the Carnival of the Capitalists. In 2005, the Carnival of Personal Finance became the first of a number of personal finance carnivals which also includes the Carnival of Debt Reduction, Festival of Frugality and Carnival of Investing. More accounting-oriented carnivals did not exist until the middle of 2006, then Kay Bell (who also operates Don’t Mess with Taxes) created the Carnival of Taxes and Tracy Coenen (who also operates Fraud Files) started the Carnival of Fraud. Carnivals provide a variety of benefits:

- Provide new bloggers a chance to become recognized
- Enable other bloggers a venue to get their best posts seen
- Permit bloggers to evaluate carnival posts (determine if blogger is worthy of being added to their blogroll)
- Allow readers to gain new insights on fraud, personal finance and/or tax issues.
Sources for Blog Posts and Portals

As is true for political blogs, accounting and related bloggers use a variety of sources. Many bloggers post about items on other accounting or tax blogs, and court case results (especially in tax) are widely used.

Accounting news sites are an important means of improving the flow of new accounting knowledge. Both standard media (such as Business Week or ABC News) and accounting-dedicated media (such as Accounting WEB, Smartpros or WebCPA) may be cited. Professional sites may produce (i.e., Financial Executives International) or link (Association of Governmental Accountants) newsworthy material. Finally, some personal finance bloggers use personal experiences and practice as a source.

News portals can be a useful means of accessing multiple news sites. Tax and accounting examples include Fairmark (primarily tax) and Tax Sites (name notwithstanding, this site includes both accounting and tax sites).

So Do You Want to Blog About Accounting?

Come on in, the water’s fine. Even in comparatively crowded areas such as corporate governance, personal finance and taxation, well-written posts will gain attention and generate blog views. More significantly, there are massive gaps within the accounting blogosphere. At present, there are no active blogs dedicated to governmental or managerial accounting. Many good blogs seem to cease after a short time, which points out one of the considerations in blogging—like dieting, it is easier to start than to persevere. Nevertheless, blogging gives the author an opportunity to gain knowledge about his or her profession, a means to increase the accounting knowledge base and a venue to express himself or herself—Wyld calls this a “raising of self-awareness.” Farrell points out that academic blogs offer the kind of academic excitement that attracts scholars into education and expects blogs to redefine scholarship within the next ten years. For practitioners, CPA Blog: Marketing for Accountants (Rachford) is one of several sources touting the marketing potential of blogging by accountants.

For those who would rather read about than participate in blogging, some additional references on accounting blogs include “CPA Bloggers: Where Are the Accountants?” (Golden), “Would You, Should You, Could You Blog?” (Lang) and “Blog, Blog, Blog” (Telberg). The Lang and Golden articles chronicled active accounting and taxation blogs at the time that the articles were published while Telberg addressed marketing and client education benefits of a blog. Of course, at a minimum, no tour of accounting blogs would be complete without a quick trip to Tick Marks.
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**Terminology**

Administrator—blogger who operates, but does not necessarily host, a carnival. Often the founder of the carnival.

Blog – an electronic journal or diary, another name for internet web logs.

Blog community - a website which provides ready access to recent blog posts by authors with similar topical interests.

Blogosphere – span of blogs within a particular discipline

Blog Posts -- short statement or comment about a news event or other blogger’s post—in effect, a different type of “journal entry.”

Blogroll – list of linked websites.

Carnival – a website which give bloggers a chance to share posts about specific topics on a regular schedule with the administrator or host providing some level of peer review.

Corporate governance – ideally, operating a corporation in compliance with accounting standards and laws and in good faith to stakeholders.

Contributors – those submitting posts to a carnival.

Hits – number of times a blog has been viewed.

Hosting blog –the blog where the carnival is located.
Internet weblogs – another term for blogs
Personal finance – set of topics such as debt reduction, frugality and investing which deals with keeping more of one’s earnings or using present resources more effectively.
Portal – Web site which allows a Internet surfer quick access to numerous other related web sites.
Web site (also known as URL) – Internet location for a specific blog, news site, etc.
Accounting System Change—An Application of Discriminant Analysis

Abstract
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Joe Dowd, Ph.D.
Associate Professor of Accounting
Eastern Washington University
College of Business and Public Administration
668 North Riverpoint Boulevard
Suite A, Room 358, MS RPT3
Spokane, WA 99202-1660
(509) 358-2280 (office)
(509) 358-2267 (fax)
jdowd@mail.ewu.edu

Elizabeth J. Tipton Murff, Ph.D.
Associate Professor of Decision Sciences
Eastern Washington University
College of Business and Public Administration
668 North Riverpoint Boulevard
Suite A, Room 327, MS RPT3
Spokane, WA 99202-1660
(509) 358-2227 (office)
(509) 358-2267 (fax)
ejtmurff@mail.ewu.edu

Topic: Cost and Managerial Accounting
Accounting System Change – An Application of Discriminant Analysis

Contingency Theory posits that no single control system is appropriate for all situations. In its simplest form, Contingency Theory predicts that an organization’s context affects its structure, including internal control systems such as accounting systems. This study investigates how context affects accounting system design during a period of industry transition from regulation to intense price competition.

Competitive, technological and regulatory changes to the electric utility industry make it an ideal environment in which to study these relationships. This unique opportunity is due to the dramatic shift from price regulation to intense price competition, the widespread use of similar regulator-required accounting systems, and this industry’s tradition of open communication between utilities and outsiders.

Field-based interviews identify relevant constructs, measures and relationships. A mail survey collects data not available from public sources. Data are collected from thirty (30) Texas electric utilities, representing a broad spectrum of contextual diversity, competitive pressures and accounting system complexity, over a two-year measurement window.

While we restrict the sample to Texas utilities, the results of this study are not intended to be limited to Texas electric utilities. This study is intended to offer a model of accounting system choice that may be applied more generally to other industries in other geographic areas. It is hoped that the contributions of this study will be significant in that it provides insight into accounting system choice and innovation in research design by taking advantage of the unusual opportunities offered by deregulation of the electric utility industry. In addition, to our knowledge it is the first investigation of how internal accounting systems change and develop during periods of industry transition.

Field interviews suggested the following measures of context, accounting systems, and competition. Utilities’ contexts are measured by the number of customer billing and external reporting requirements, the number of traditional and non-traditional products produced, the number of generating technologies, including whether or not the utility utilizes nuclear generating technologies, geographic dispersion (number of counties served), and size (annual revenue dollars).

Utilities’ accounting systems are measured by the number of activities costed, the number of products for which direct and full costs are collected, accounting system speed (days to close month end), the number of departments (cost centers), profit centers, and geographic sites, plus the degree to which the "standard" FERC chart of accounts (U.S. Code of Federal Regulations, 1995) has been subdivided for internal purposes ("Number of Sub-Accounts").

The degree to which a utility is “exposed” to the increasing competition is measured by the percentage of revenue derived from wholesale and industrial customers and the percentage of electricity sales from internally-generated electricity.

This study applies discriminant analysis to identify and validate specific linkages between measures of organizational context and facets of internal managerial accounting systems. Additionally, the strength of these linkages are evaluated as competition increases over a two-year measurement window.

Discriminant analysis separates the thirty utilities into three "groups." Five utilities that increased the use of cost and profit centers are included in the "responsibility accounting" group. Data suggest that, in general, those utilities with very high levels of self-generated electricity, i.e., highly “exposed” to competition, increase the complexity of their accounting systems by increasing the use of responsibility accounting systems.

Seven utilities that subdivided the standard FERC chart of accounts make up the "sub-account" group. The principal characteristic of the sub-account group is the high ratio of revenues to county population. The remaining eighteen utilities are included in the "no change" group.
The Use of Permanent Student Teams in a Lock-step Cohort Graduate Program

by

Douglas R. Moodie, Ph.D.,

and

Stephen J. Brock, D. Min.,

Leadership and Professional Development Department,
#3306, 1000 Chastain Road,
Coles College of Business,
Kennesaw State University,
Georgia 30144-5591.

Abstract

Most organizations, including businesses, use teaming as a tool. Higher education also uses teaming as a learning tool. However, in most cases, team members do not receive any training, monitoring, or teaching in being effective teams, which we consider to be an essential life skill. This paper describes how Kennesaw state university teaches the theory behind teaming, trains its EMBA students in teaming, uses team coaches to monitor and develop teaming, and uses teaming in general learning endeavors. We finish with lessons we have learned form using permanent student teams in our lock-step cohort Executive MBA programs.

May 2007
Business Method Patents and Firm Value: An Events Study

Recent research has suggested that non-financial indicators such as patent approvals can aid the financial analyst in assessing a company’s value. In State Street Bank & Trust Company v. Signature Financial Group, the Federal Court of Appeals found that business methods were patentable, opening the floodgates for the issuance of these types of patents in the years since. Utilizing an event-study methodology we found abnormal market returns on days -16, -15, and -1 (with 0 being the event day of issuance and publication of the patent). These days corresponded with days that the United States Patent and Trademark Office (USPTO) releases information concerning issuance to the potential patent holders or in the case of day -1, no further practical action can be taken by the USPTO to withdraw patent approval. This research suggests that innovative business processes may be linked to value creation.
I. Introduction

In July of 1998 the D.C. Circuit Federal Court of Appeals dramatically challenged the traditional notion of what constitutes a patentable idea. In State Street Bank & Trust Company v. Signature Financial Group, the court permitted the patenting of a business process manifested as a unique software program, overturning a lower court’s conclusion that business methods were merely abstract ideas and as such could not receive patent protection.\(^1\) The decision opened the door for other companies to apply for similar “business methods” patents to protect their own financial and data processing innovations. Since that ruling, patents have been granted to, among others:

- British Telecom for “hyperlinks” technology (McIntosh, 2000);
- Principals at New Frontier Advisors LLC for a portfolio optimization program (Kovaleski, 2000);
- Lincoln National Risk Management, Inc. for automated insurance underwriting software (Reich-Hale, 2000).
- Kernel Creations Ltd. for a technology for preparing a patent application (Chartrand, 2000).

The decision and ensuing flurry of business method patent applications\(^2\) have resulted in a heated controversy among industry leaders, government regulators

\(^1\) Signature Financial Group developed a process and software for managing mutual funds that pooled certain expenses in account management thus permitting certain federal tax benefits. Signature obtained a patent that was challenged by State Street Bank, a competitor. The court, in holding for Signature, effectively dismissed two rationales that were previously recognized grounds for invalidating patents: that patents that were essentially mathematical algorithms were not patentable and that methods for doing business were not patentable. See Updike (1998).

\(^2\) OHaver and Rodgers (2000) report that one “large commercial bank” has been granted more than fifty patents for asset management processes and systems, while another “large non-financial” company has filed more than 300 business methods patents.
and the patent applicants; lawsuits have inevitably followed. AMEX, for example, is suing two entrepreneurs who patented an “open-end mutual fund securitization process”, the same process by which AMEX trades its exchange traded funds (Lucchetti, 2000). Amazon.com is suing Barnesandnoble.com to protect its “one-click” patent and Priceline.com is suing Microsoft to safeguard its reverse auction patent (O’Haver and Rodgers, 2000).

A patent is a grant from the government that gives the innovator an exclusive right to produce, use, and sell the innovation for a period of twenty years from the date of filing for the patent. For a patent to be granted the innovation must be genuine, novel, useful, and not obvious in the light of current technology. What is a business method? Neither Congress nor the courts have adequately defined the term. The United States Patent and Trademark Office (USPTO) classifies business method patents under Class 705 (Data Processing: Financial, Business Practice, Management or Cost/Price Determination) and provides the following definition:

This is the generic class for apparatus and corresponding methods for performing data processing operations, in which there is a significant change in the data or for performing calculations operations wherein the apparatus or method is uniquely designed for or utilized in the practice, administration, or management of an enterprise, or in the processing of financial data…. The arrangements in this class are generally used for problems relating to the administration of an organization, commodities or financial transactions (USPTO, 2001).

Even a cursory examination of the definition reveals its vague nature. While many of the business patents that have been granted since State Street involve business methods that are intertwined with software, earlier court cases have provided illustrations of business patents that are not
software based. Historical examples of these low-tech business methods patents include: a method for parking autos at drive-in theatres in order to maximize visibility (4th Circuit Court of Appeal, 1949) and an accounting method thought to prevent fraud (2nd Circuit Court of Appeals, 1908). Hence, due to the lack of a viable definition, many commentators and businesspeople have espoused the broader view, one that has been adopted in practice by the USPTO that has recently issued a white paper that acknowledging the controversial nature of these patents (USPTO, 2000). Dreyfuss (2001) argues that business method patents are “bad for business” because they reduce the quality of patents awarded, deter competition among existing companies and deter new business start-ups.

The purpose of this research is to examine the market response to the granting of these business methods patents providing a unique opportunity to directly estimate the value of business innovations that up until now have remained beyond the reach of traditional valuation methods.

The results will add to the growing body of finance literature on “non-financial” indicators of firm value. In a survey of financial analysts, Dempsey, Gatti, Grinnell and Cats-Baril (1997) report that the investment community recognizes the value of non-financial operating measures as leading indicators of long-term financial success and are interested in using a broad range of non-financial information. That information, however, is not as readily available as traditional financial data, so it is not used as often. In addition, Lev and Zarowin
(1999) find the usefulness of financial information like reported earnings, cash flows and book values has declined over the past 20 years.

Recent research has suggested that non-financial indicators such as patent approvals can aid the financial analyst in assessing a company's value. Deng, Lev and Narin (1999) find “patent measures reflecting the volume of companies’ research activity, the impact of companies’ research on subsequent innovations, and the closeness of research and development to science are reliably associated with the future performance of R&D-intensive companies in capital markets”.3

We extend this research by looking specifically at the market reaction to the granting of business method patents. This is of interest to researchers in other business disciplines besides finance, including law, management, human resources, marketing and management information systems. The debate between finance and these areas is whether highly touted marketing, management and data processing innovations truly add value to the business enterprise, as financial theory suggests they should in order to be justified. Research in these fields is only beginning to attempt to make the link between innovative business processes and value creation.

We use a traditional event-study methodology to examine the market reaction to the granting of business method patents to publicly traded companies over the past fifteen years. From a financial analyst’s perspective, we are interested in whether business method patent grants are useful indicators of future value.

3 For additional examples of analyses of other types of non-financial indicators, see Ittner and Larcker (1998) and Amir and Lev (1996).
We find that cues as provided by the USPTO serve to alert the potential patent holders as to the probable approval of the patent resulting in abnormal returns on days -16, -15, and -1. The largest returns were on days -16 and -15 probably reflecting the issuance of official notification by the USPTO to the potential patent holder. Smaller returns were recorded on day -1, the day prior to publication of the official Patent Gazette and issuance of the patent.

II. Data and Methods

From a sample of 215 Class 705 patents applications approved by the USPTO in subclass 35 (Finance) and subclass 39 (funds transfer or credit transaction) through December 31, 2000, we identify 88 observations in which the assignee is a publicly traded company with data available on the CRSP tapes. In 5 cases in which the assignee has two patent approvals with 20 days of one another, we eliminate the second observation, yielding a final sample of 83 observations. One additional firm was deleted because it had fewer than 50 days of returns in the estimation period. Because some companies had multiple Class 705 approvals during the sample period, the final sample of 82 observations includes 36 different companies (see table 1). Although the event dates range from 1988 to 2000, 73 of 83 occurred in 1998, 1999 or 2000, reflecting the recent rise in popularity of Class 705 filings. The USPTO always releases patent approvals on Tuesday; so all event days are Tuesdays.

We use a standard event-study methodology to estimate both market-adjusted and market-model abnormal returns around the event date using the CRSP value-weighted index. We estimate a market model for each firm during a
120-day estimation period from day -141 to day -21, and we estimate abnormal returns and cumulative abnormal returns over a 41-day event window from day -20 to +20. For both models we use time series standard deviation method (Brown and Warner, 1985) to generate test statistics and report both the standard t-statistic and a generalized sign test. The null hypothesis for the sign test is that the percentage of positive returns is the same in the event window as the estimation period. See Cowan (1992) for details.

III. Empirical Results

In general, we find a significant market response to the final approval of business method patents on day -1, the Monday prior to the event date, and on days -15 or -16, the Monday and Tuesday three weeks prior to the event date. These results tend to be consistent across estimation models and statistical tests.

Market adjusted abnormal returns are reported in Table 2. We find statistically significant average abnormal returns (at the 5% level using the standard t-test) on days -16, -15 and -1, equal to 1.06%, 0.84% and 1.12%, respectively. A number of days have statistically significant returns according to the generalized sign test, including days -15 and -1. The results are similar for market model abnormal returns in Table 3. Days -15 and -1 are significant at the 10% and 5% levels, respectively, according to the parametric t-test.

Cumulative abnormal returns for both methods are reported in Tables 4 and 5. None of the cumulative returns over the three intervals [(-20,-2), (-1,0), (+1, +20)] are significant with the market-adjusted model. However, cumulative
returns are significantly positive over the interval (-1, 0) and significantly *negative* over the interval (+1,+20) using the market model.

The results in Tables 4 and 5 suggest that the market model may be upward biased in the estimation period, resulting in a negative post-event drift. If the securities in the sample are generating positive abnormal returns during the estimation period, the use of an estimation period prior to such a run-up will result in upward biased alphas in the market model regressions. This leads to downward-biased abnormal returns in the event window, because this abnormal performance is “expected” to continue through the event window. When the downward biased returns are cumulated over the event window, the results show a continued downward drift.\(^4\) Evidence from the parameter estimates of the individual firms supports this contention that the pre-event model parameters are biased upward. On average, 46% of the residuals from all the models are greater than 0, and only 17 of the 83 individual models had more than 50% positive residuals.

There are a number of ways to avoid this biased benchmark problem. One is to use a post-event estimation period; this is not practical in our case since many of the event dates are in 2000, and post event returns are not available. A second solution is to use a market adjusted model with the CRSP value-weighted index, which avoids the pre- and post-benchmarking problem entirely. We suggest that this is appropriate for our sample, since the average beta parameter from the market models is 1.06 versus the CRSP value-weighted index.

\(^4\) See Albert and Smaby (1996) for a discussion of the biased benchmark problem in the context of analyst recommendations.
IV. Discussion

Our empirical results suggest that something is happening on day –1 and days –15 and –16. Is the market actually responding to new information in the form of business method patent approvals, or are these results an artifact of the data and/or the methodology? We argued in the previous section that the market-adjusted model is a reasonable approach to use to avoid the apparent biased benchmark problem inherent in our sample, so we are confident that we are detecting a market response to these events. But why are days –1, -15 and –16 important?

Conversations with patent attorneys and the press officer of the USPTO suggest possible explanations. Patent approvals can take years from the time of the initial filing to the final approval. However, as time goes on the likelihood that a patent will ultimately be approved increases. Until the patent is actually published in the Patent Gazette, the official publication of the USPTO, it has not been officially issued. Three weeks prior to the issuance of that particular Gazette, the publishing office starts to work on that issue, sending an "issue notification" to the patent holder. On it will be the patent number and the date that it is expected that the patent will be published. This is also the date on which the materials are actually transmitted to the printer. The day prior to the issuance date, Monday, is actually the last day the approval can be withdrawn. Once the patent reaches this point in the approval process, however, it is extremely rare to have an approval withdrawn.
The abnormal returns we found are consistent with the procedure as set forth by the USPTO. The holder of the potential patent receives various cues from the USPTO that indicate an increasing certainty that the patent will be published and hence, approved. On days -15 and -16 the potential holder is sent official notification that the patent will probably be published. Since the USPTO reserves the right until the last minute to withdraw the patent from publication, it is not until the Gazette has been printed and awaiting delivery for the next day that the potential patent holder feels that the news is certain enough to warrant further disclosure to the market. Hence we found a reaction on day -1, not day 0, the day the Gazette is published. These findings suggest that the market perceives business patent approvals as having value for the business.
References

1st Circuit Court of Appeals, 1949, Loews Drive-In Theatres v. Park-In Theatres, Federal Reporter 2nd 174, 547.


Table 1. Sample of firms granted a Class 705 patent approval in class 35 and class 39 through December 31, 2000 with data available on CRSP tapes.

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5,835,60 First Virtual Holdings Incorporated (San Diego, CA) 1-Nov-95 84312 7370
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2-Jan-97 84372 3577
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5,950,17 Amazon.Com, Inc. (Seattle, WA) 30-Mar-95 84788 7370
5,905,97 France Telecom (Paris, FR); La Poste (Boulogne Billancourt, FR); Sintef Delab (Trondheim, NO) 17-Jul-96 85425 3663
6,014,64 France Telecom (Paris, FR) 5-Jun-96 85425 3663
6,105,86 France Telecom (Paris, FR); La Poste (Boulogne Billancourt, FR) 29-Oct-98 85425 3663
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Table 2. Market adjusted average abnormal returns. We use a standard event-study methodology to estimate market-adjusted abnormal returns around the event date using the CRSP value-weighted index. We estimate abnormal returns over a 41-day event window from day -20 to +20 using the time series standard deviation method (Brown and Warner, 1985) to generate test statistics and report both the standard t-statistic and a generalized sign test. The null hypothesis for the sign test is that the percentage of positive returns is the same in the event window as the estimation period.

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<td>-0.34</td>
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</tr>
<tr>
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<td>-0.30</td>
<td>81</td>
<td>36:45</td>
<td>-0.40</td>
</tr>
<tr>
<td>9</td>
<td>0.00%</td>
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<td>0.71</td>
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<tr>
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<td>0.04</td>
</tr>
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<td>-0.38%</td>
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<td>-0.08</td>
</tr>
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</tr>
<tr>
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<td>-0.53</td>
</tr>
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</tr>
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<td>-0.75</td>
</tr>
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<td>-0.97</td>
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<td></td>
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</tr>
<tr>
<td>17</td>
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<td>36:44</td>
<td>-0.30</td>
</tr>
<tr>
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<td>0.16</td>
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<td>-0.65</td>
</tr>
<tr>
<td>19</td>
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<td>0.25</td>
</tr>
<tr>
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<td>-0.90%</td>
<td>0.18</td>
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<td>30:49</td>
<td>-1.55*</td>
</tr>
</tbody>
</table>

*** Significant at the 1% level. **Significant at the 5% level. *Significant at the 10% level.
Table 3. Market model average abnormal returns. We use a standard event-study methodology to estimate market-model abnormal returns around the event date using the CRSP value-weighted index. We estimate a market model for each firm during a 120-day estimation period from day –141 to day –21, and we estimate abnormal returns over a 41-day event window from day –20 to +20. We use the time series standard deviation method (Brown and Warner, 1985) to generate test statistics and report both the standard t-statistic and a generalized sign test. The null hypothesis for the sign test is that the percentage of positive returns is the same in the event window as the estimation period.

<table>
<thead>
<tr>
<th>Day</th>
<th>Average Abnormal Return</th>
<th>Median Abnormal Return</th>
<th>t-statistic</th>
<th>N</th>
<th>Positive: Negative</th>
<th>Generalized Sign Test</th>
<th>Z-statistic</th>
</tr>
</thead>
<tbody>
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<td>-0.39%</td>
<td>-0.44%</td>
<td>-0.66</td>
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<td>36:46</td>
<td>-0.46</td>
<td></td>
</tr>
<tr>
<td>-19</td>
<td>0.02%</td>
<td>-0.07%</td>
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<td>38:44</td>
<td>-0.02</td>
<td></td>
</tr>
<tr>
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<td>0.14%</td>
<td>-0.11%</td>
<td>0.24</td>
<td>82</td>
<td>38:44</td>
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<td></td>
</tr>
<tr>
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<td>-0.05%</td>
<td>-0.29%</td>
<td>-0.09</td>
<td>82</td>
<td>38:44</td>
<td>-0.02</td>
<td></td>
</tr>
<tr>
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<td>1.51*</td>
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</tr>
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<td>1.25</td>
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<td>45:37</td>
<td>1.53*</td>
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</tr>
<tr>
<td>-14</td>
<td>0.13%</td>
<td>-0.36%</td>
<td>0.22</td>
<td>82</td>
<td>36:46</td>
<td>-0.46</td>
<td></td>
</tr>
<tr>
<td>-13</td>
<td>-0.34%</td>
<td>-0.46%</td>
<td>-0.57</td>
<td>82</td>
<td>36:46</td>
<td>-0.46</td>
<td></td>
</tr>
<tr>
<td>-12</td>
<td>-0.42%</td>
<td>-0.52%</td>
<td>-0.70</td>
<td>82</td>
<td>30:52</td>
<td>-1.79**</td>
<td></td>
</tr>
<tr>
<td>-11</td>
<td>-0.32%</td>
<td>0.04%</td>
<td>-0.54</td>
<td>82</td>
<td>43:39</td>
<td>1.09</td>
<td></td>
</tr>
<tr>
<td>-10</td>
<td>0.42%</td>
<td>-0.26%</td>
<td>0.70</td>
<td>82</td>
<td>38:44</td>
<td>-0.02</td>
<td></td>
</tr>
<tr>
<td>-9</td>
<td>-0.33%</td>
<td>-0.14%</td>
<td>-0.54</td>
<td>82</td>
<td>38:44</td>
<td>-0.02</td>
<td></td>
</tr>
<tr>
<td>-8</td>
<td>0.69%</td>
<td>0.40%</td>
<td>1.16</td>
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<td>45:37</td>
<td>1.53*</td>
<td></td>
</tr>
<tr>
<td>-7</td>
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<td>-0.19%</td>
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<td>38:44</td>
<td>-0.02</td>
<td></td>
</tr>
<tr>
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<td>0.01%</td>
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<td>1.31*</td>
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</tr>
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<td>-0.62</td>
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<td>37:45</td>
<td>-0.24</td>
<td></td>
</tr>
<tr>
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<td>-1.57*</td>
<td></td>
</tr>
<tr>
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<td>-0.22%</td>
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<td>-0.24</td>
<td></td>
</tr>
<tr>
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<td>-0.91</td>
<td></td>
</tr>
<tr>
<td>-1</td>
<td>1.03%</td>
<td>0.28%</td>
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<td>1.31*</td>
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</tr>
<tr>
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<td>-0.17%</td>
<td>-0.12</td>
<td>82</td>
<td>36:46</td>
<td>-0.46</td>
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</tr>
<tr>
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<td>82</td>
<td>38:44</td>
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<td></td>
</tr>
<tr>
<td>2</td>
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<td>-0.44%</td>
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<td>37:45</td>
<td>-0.24</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>-0.09%</td>
<td>-0.18%</td>
<td>-0.15</td>
<td>82</td>
<td>36:46</td>
<td>-0.46</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>-0.22%</td>
<td>0.29%</td>
<td>-0.36</td>
<td>81</td>
<td>44:37</td>
<td>1.42*</td>
<td></td>
</tr>
<tr>
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<td>0.73</td>
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<td>42:39</td>
<td>0.97</td>
<td></td>
</tr>
<tr>
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<td>0.20%</td>
<td>0.52%</td>
<td>0.34</td>
<td>81</td>
<td>47:34</td>
<td>2.09**</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>-0.46%</td>
<td>-0.20%</td>
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<td>-1.25</td>
<td></td>
</tr>
<tr>
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<td>-0.14%</td>
<td>-0.40</td>
<td>81</td>
<td>37:44</td>
<td>-0.14</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>-0.43%</td>
<td>-0.15%</td>
<td>-0.72</td>
<td>81</td>
<td>38:43</td>
<td>0.08</td>
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</tr>
<tr>
<td>10</td>
<td>-0.28%</td>
<td>-0.25%</td>
<td>-0.47</td>
<td>81</td>
<td>38:43</td>
<td>0.08</td>
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</tr>
<tr>
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<td>-0.35%</td>
<td>-0.53%</td>
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<td>80</td>
<td>35:45</td>
<td>-0.48</td>
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</tr>
<tr>
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<td>-3.40***</td>
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<td>80</td>
<td>37:43</td>
<td>-0.04</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>0.39%</td>
<td>0.42%</td>
<td>0.65</td>
<td>80</td>
<td>47:33</td>
<td>2.21**</td>
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</tr>
<tr>
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<td>-1.16</td>
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<td></td>
</tr>
<tr>
<td>16</td>
<td>-0.01%</td>
<td>-0.44%</td>
<td>-0.01</td>
<td>80</td>
<td>33:47</td>
<td>-0.93</td>
<td></td>
</tr>
<tr>
<td>17</td>
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<td>0.01%</td>
<td>0.11</td>
<td>80</td>
<td>40:40</td>
<td>0.64</td>
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</tr>
<tr>
<td>18</td>
<td>0.10%</td>
<td>-0.12%</td>
<td>0.16</td>
<td>79</td>
<td>37:42</td>
<td>0.07</td>
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</tr>
<tr>
<td>19</td>
<td>-0.35%</td>
<td>-0.30%</td>
<td>-0.57</td>
<td>79</td>
<td>37:42</td>
<td>0.07</td>
<td></td>
</tr>
<tr>
<td>20</td>
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<td>0.18</td>
<td>79</td>
<td>32:47</td>
<td>-1.06</td>
<td></td>
</tr>
</tbody>
</table>

*** Significant at the 1% level. ** Significant at the 5% level. * Significant at the 10% level.
Table 4. Market adjusted cumulative average abnormal returns. We use a standard event-study methodology to estimate market-adjusted abnormal returns around the event date using the CRSP value-weighted index. We estimate cumulative abnormal returns over three multi-day intervals using the time series standard deviation method (Brown and Warner, 1985) to generate test statistics and report both the standard t-statistic and a generalized sign test. The null hypothesis for the sign test is that the percentage of positive returns is the same in the event window as the estimation period.

<table>
<thead>
<tr>
<th>Days</th>
<th>Cumulative Average Abnormal Return</th>
<th>Cumulative Median Abnormal Return</th>
<th>t-statistic</th>
<th>Positive:</th>
<th>Negative</th>
<th>Generalized Sign Test Z-statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>(-20, -2)</td>
<td>1.36%</td>
<td>-0.09%</td>
<td>0.52</td>
<td>41:41</td>
<td>-0.46</td>
<td></td>
</tr>
<tr>
<td>(-1,0)</td>
<td>1.08%</td>
<td>0.27%</td>
<td>1.27</td>
<td>44:38</td>
<td>1.27</td>
<td></td>
</tr>
<tr>
<td>(+1,+20)</td>
<td>-0.56%</td>
<td>-0.41%</td>
<td>-0.21</td>
<td>37:45</td>
<td>-0.28</td>
<td></td>
</tr>
</tbody>
</table>

*** Significant at the 1% level. ** Significant at the 5% level. * Significant at the 10% level.

Table 5. Market model cumulative average abnormal returns. We use a standard event-study methodology to estimate market-model abnormal returns around the event date using the CRSP value-weighted index. We estimate a market model for each firm during a 120-day estimation period from day -141 to day -21, and we estimate cumulative abnormal returns over three multi-day intervals. We use the time series standard deviation method (Brown and Warner, 1985) to generate test statistics and report both the standard t-statistic and a generalized sign test. The null hypothesis for the sign test is that the percentage of positive returns is the same in the event window as the estimation period.

<table>
<thead>
<tr>
<th>Days</th>
<th>Cumulative Average Abnormal Return</th>
<th>Cumulative Median Abnormal Return</th>
<th>t-statistic</th>
<th>Positive:</th>
<th>Negative</th>
<th>Generalized Sign Test Z-statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>(-20, -2)</td>
<td>-0.68%</td>
<td>-0.61%</td>
<td>-0.26</td>
<td>40:42</td>
<td>-0.46</td>
<td></td>
</tr>
<tr>
<td>(-1,0)</td>
<td>0.95%</td>
<td>0.34%</td>
<td>1.13</td>
<td>44:38</td>
<td>1.31*</td>
<td></td>
</tr>
<tr>
<td>(+1,+20)</td>
<td>-2.59%</td>
<td>-1.32%</td>
<td>-0.97</td>
<td>30:52</td>
<td>-1.79**</td>
<td></td>
</tr>
</tbody>
</table>

*** Significant at the 1% level. ** Significant at the 5% level. * Significant at the 10% level.
Figure 1. Plot of cumulative abnormal returns for the market-adjusted and market model.
Nursing/Physician Shortage’s and Impact on Marketing with the Health Industry

Wanda Piercey, RNC, BSN, MHA
University of Phoenix

Introduction

The physician and nursing shortage has impacted the health industry. More than one-third of physicians in the U.S. are upwards of 50 years old, and say that retirement in the near future is at the top of their minds.¹ Ullmann, Martin, Kelly and Homer² cited health care organizations in the U.S. face a significant nursing shortage, which seriously impacts the quality and availability of health care. Confronting the physician and nurse shortage challenge requires involvement from organizations beyond the public sector. The baby boomers are retiring and where are the health care facilities going to get health care providers? The purpose of this paper is to explore the nurse/physician shortage and the impact on marketing within the health industry.

What are the psychographics, expectation, and needs of this group?

There is a shortage of nurses and physicians in the health care industry.³ The physician shortages in some specialty and geographic markets are due to the United States workforce is aging along with the baby boom generation. As the huge group of Americans born from 1946 to 1964 begins reaching retirement age in 2011, the competition for workers will only intensify.⁴ Experts have agreed on several solutions to the workforce shortage and one of the solutions for the workforce shortage is improvement of the recruitment and retention programs the hospitals already have for the healthcare workers.⁵

What marketing efforts are currently being employed to meet the expectations and needs of this group?

One of the marketing efforts of recruiting and retaining nurses and physicians is the Magnet Strategy. Magnet strategies are not new to the healthcare industry because the terminology and concept has been traced as far back as 1983 when the American Academy of Nursing first used the term “magnet hospital” to describe 41 facilities that had become known for the facilities ability to attract and retain nurses despite the significant nursing shortage during the 1980s.

Magnet strategies focus on personnel culture that supports professionalism throughout all areas of the hospital. An example of the magnet strategy was used by the chief executive officer Mary G. Nash, PhD., CHE, FANN of the University of Alabama Hospital in Birmingham. Dr. Nash enhanced UAB’s recruitment and retention of physicians and nurses by earning the magnet designation which was a natural extension of the standards of service excellence to which hospitals have long been committed. Dr. Nash of UAB also indicated that magnet status was not all that was needed to retain hospital service excellence because UAB also used benchmarks to set staffing standards. UAB used the national benchmarks to set standards for each area in the hospital. The facility holds managers accountable for staff dollars and hours. One of UAB’s recruitment and retention of nurses and physicians is to also avoid using agency staffing while avoiding mandating overtime.

A marketing strategy the Ohio Board of Nursing has of recruiting nurses to the nursing schools is to give “Nursing Rewards”. Ohio has the Nursing Education Grant program which will have $10 million in grants to potential nursing students. The grant monies will be available for over 10 years to the Ohio nursing education programs.

*What other marketing efforts could be successful in reaching this group?*

Kennedy introduced a new marketing strategy to assist in the recruitment of physicians and nursing personnel because many health care organizations are experiencing a shortage. Kennedy proposed the establishment of an agency that would become a “quality council”. The quality council agency would pertain to the marketing concept of a shift in thinking of how and where healthcare providers are needed. He indicated the need for a shift in thinking or one needs to think on a national co-operation to bypass some of the bureaucracy or some of the competition.

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Sabatino introduced the marketing concept of diversification. Healthcare organization, according to Sabatino has a need to cater more to culture diversity when obtaining physicians and nurses. According to government statistics, in 1991, minorities constituted 22% of the US population only 8% of practicing physicians and 14.2% of nursing school enrollments. Culture diversity challenges the health care field to make better use of a radically changing labor force.

Physicians can now market themselves and their practices to the 2.5 million individuals that visit HealthGrades.com each month to research the quality and credentials of physicians. This program enables physicians to increase the visibility of their reports throughout the Health Grades website and to increase the likelihood that their reports are ready by eliminating the $7.95 fee that Health Grade currently charges consumers for each report. The Health Grade website has over 600,000 physicians that cover more than 100 specialties and subspecialties. The website enables physician to advertise to the consumer plus the website allows the consumer to make smarter choices when choosing a physician.

Is targeting this population financially viable for most health organizations?

Targeting the physician and nurses recruitment strategies for health care organizations is a must for the health care industry. More than one-third of physicians in the U.S. are upwards 50 years old, and many physicians say that retirement in the near future is at the top of their minds. This analogy has health care organization fixed on combating the repercussions. Nearly 90% of hospitals are actively recruiting physicians and according to the surveys that were conducted by Barlow and McCarthy, recruiting and retaining physicians is a strategic issue and at the center of the health care organizations growth.

Health care executives have to recruit physicians and nurses to be proactive rather than reactive in the health care industry. The survey indicated that marketing executives are pigeonholed as only having the ability to affect business with a promotional strategy and not the entire marketing mix. Hospitals and systems that understand the role of marketing and business development see them as one and the same and reap the benefits.

Almost all healthcare organizations in the U.S. continue to operate in competitive environments, strategic positioning is a concept that warrants careful consideration.

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Targeting physicians and nurses for recruitment and retention would definitely be financially viable for health care organizations.

How would an organization have to change its marketing strategy to target this population, if at all?

Healthcare organizations need to change their marketing strategy used to recruit and retain nurses and physicians by building and publicizing clinical indicators of being the employer of choice. A marketing strategy that was a short-term solution for recruiting physicians and nurses to health care organizations would be to offer financial incentives. The first step in market management is to define the specific market or market segment being considered. The marketing strategy to target recruitment of physicians and nurses could be accomplished in several ways. The ways of recruitment are (1) better matching of customer needs, (2) enhancing profitability through targeted offerings, and (3) retaining customers through the development of ongoing relationships.

The Washington Metro and New York subways are plastered with advertisement for health plans and health services. The marketing strategy in Washington and New York is bright signs of advertising in areas such as subways where the most population can view and read the advertisement is a way of marketing health plans and health services.

The seven tips offered for creating a position strategy plan for health care organization: (1) do not copy another organization’s plan (1) tie marketing strategies to the overall strategic plan (3) stay true to the organization’s mission (4) pay attention to communication (5) put the organization’s leaders in the spotlight (6) know the organization’s abilities and limits and (7) encourage everyone in the health care organization to sing from the same hymnal.

When marketing to this population, are other populations naturally excluded?

All health care organizations have to address staffing issues of nurse and physician shortages by forecasting the health care needs of the community and potential expansion of the health care facility. The health care facility will have to identify resources to

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support new marketing initiatives for the procurement of additional staff of health care providers.

Marketing strategies for recruiting physicians and nurses for the rural community is to help a person of the rural community grow up and move back to the rural community. Another innovative marketing idea is to encourage young people to enter the medical profession from the rural community and give financial aid. Urbanites potentially have difficulties adapting to rural life which is another marketing strategy to encourage the young people of the rural community to enter the medical profession and return to his or her rural community.

Mary-Anne Cooke currently holds the position of “head of business department” for a group of hospitals which are experiencing problems with obtaining sufficient staffing of physicians and nursing personnel. One of the innovative ways Mary-Anne has of reaching potential physicians and nurses in Internet marketing. Mary-Anne knows patients have choices as to where they want to be treated and hospitals are paid by the number of patients that are treated so if the hospital is experiencing problems with staffing the hospital with suffer economical loss and decreased revenue. Mary-Anne’s Internet marketing strategy has improved physician and nurse recruitment for her group of hospitals.

Conclusion

Physician/nurse shortage has greatly impacted health care organizations. One has to only look at the want ads in any local newspaper and see the marketing strategies used by the various health care facilities to understand this problem of the physician/nurse shortages. The problem is not only a local problem but the problem is of a national level also. The baby boomers are retiring and health care facilities will truly be challenged to come up with new marketing strategies for recruitment of physicians and nurses to provide the health care services to the consumer. Staffing issues are one of the reasons people are being discharged from hospitals sooner and coming into the hospital sicker.

Accounting Students Gain a Competitive Edge

Competing in Case Study Competitions

Jeanette Maier-Lyte
University of Southern Indiana
(812) 464-1915
cmaier@usi.edu

ABSTRACT

Students majoring in accounting are competing with an increasing number of other accounting majors in the job market as enrollments in the field of accounting continue to rise. Based on a national study conducted by the AICPA, enrollment in accounting bachelor’s degree programs increased by 9% in 2003-04, compared to 2002-03 (AICPA, 2005). The University of Southern Indiana (USI) increased enrollment in the field of accounting by 5.2% from 2005 to 2006. What can students do to distinguish themselves from other students with similar grades and experiences?

Students at the University of Southern Indiana (USI), as well as other students across the nation, are competing in state and national case study competitions. These case study competitions provide the students with practical application problems to assess their technical knowledge and analytical problem solving skills. The majority of the cases require a written report and/or presentation, which assesses the students’ oral and written communication skills. Consequently, the students are perfecting skills that will gain them a competitive edge in the marketplace. This paper explores two accounting case study competitions (public accounting and managerial accounting), the value of the case study competitions for participating students and the role of the faculty advisor in the competition.
Accounting Students Gain a Competitive Edge
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INTRODUCTION

Students majoring in accounting are competing with an increasing number of other accounting majors in the job market as enrollments in the field of accounting continue to rise. Based on a national study conducted by the AICPA, enrollment in accounting bachelor’s degree programs increased by 9% in 2003-04, compared to 2002-03 (AICPA, 2005). The University of Southern Indiana (USI) increased enrollment in the field of accounting by 5.2% from 2005 to 2006. What can students do to distinguish themselves from other students with similar grades and experiences?

Students at USI, as well as other students across the nation, are competing in state and national case study competitions. These case study competitions provide the students with practical application problems to assess their technical knowledge and analytical problem solving skills. The majority of the cases require a written report and/or presentation, which assesses the students' oral and written communication skills. Consequently, the students are perfecting skills that will gain them a competitive edge in the marketplace. This paper explores two accounting case study competitions, the value gained by participating students and the role of the faculty advisor in the competition.

THE INDIANA CPA SOCIETY CASE STUDY COMPETITION

Each year the 32 Indiana colleges and universities with accounting programs are invited to participate in the Indiana CPA Society Case Study Competition. Four different USI students and a faculty advisor have participated in this competition as a case study team every year since it began in 2001. The case study competition is designed to challenge the students with a practical project, requiring them to utilize their knowledge, research abilities, technical skills, communication skills, and judgment in satisfying the requirements of the case.

The case study competition begins with the Indiana CPA Society (INCPAS) e-mailing the case study to the faculty advisor. The team of four undergraduate students must then research the problem, prepare a report, and submit the written case electronically within a 10-day time frame. The written case must address all the requirements outlined in the case study and include a two- to five-page executive summary. Then, a team of four to five judges, who are all practicing accountants, evaluates the case study submissions and selects six finalists for oral presentations. The case study finalists make a 15-20 minute oral presentation of their findings and recommendations, followed by a 10-minute question and answer session. The oral
presentations are held at the INCPAS’s office in Indianapolis, and the awards are presented at the INCPAS’s annual CPA Celebration.

In order to fulfill the requirements of the case, the students contact several accounting professionals to gain valuable information from the practitioners’ expertise. They use this information, along with extensive research from a variety of other sources, to satisfy the requirements of the case. For example, the 2006 INCPAS case required the students to analyze the peer review process and determine how they could add value in the process, while protecting the public interest. The students had limited knowledge in this area, so they contacted several public accounting firms and corporations to interview partners, chief financial officers, peer reviewers and analysts with expertise in this area. These accounting practitioners provided personal information, supporting documentation, and moral support to the students. In the most recent case study competition (2006), the USI case study team received the 1st place award, for the 3rd year in a row. The case study competition is made possible because accounting professionals assist with the development of the case study, act as judges for the competition, and provide valuable information to the student teams.

THE IMA CASE STUDY COMPETITION

Each year the Institute of Management Accountants (IMA) publishes a managerial accounting student case study in their August issue of Strategic Finance. Colleges and universities across the nation can select a team of three to five students to determine the best solution for the management accounting case. The student team is required to address the requirements of the case in a video presentation. The presentation will be limited to no more than 15 minutes, and each team member must have an equal part in the presentation. Presentations are judged on content, style and the team’s response to the case requirements.

The submissions are evaluated by a panel of academia and industry judges. Four teams are selected for a final competition, which involves a presentation of their case study solution at the IMA’s Annual Conference and Exposition. The presentations will be judged on technical content, presentation skills, case analysis style, organization and the strength of the recommendations and conclusion in satisfying the case requirements. They will also be evaluated on their ability to answer an additional question posed by the panel of judges.

The USI team competed in this competition for the first time in February 2006. The case study competition involved the analysis of a manufacturing company’s current accounting practices in relationship to the implementation of a new lean production environment. After thoroughly analyzing the company and its current practices, the team determined the company should switch from their traditional costing systems to a lean accounting system. USI’s presentation submission landed them in the final four, and they traveled to Las Vegas to compete in the finals. They didn’t come out on top in the finals, but they received numerous benefits from this experience. Another USI team entered the
competition this year, and they recently received notification that they were selected as one of the final four teams out of 25 initial entries. They will present in Phoenix on June 17, 2007.

THE VALUE OF THE CASE STUDY COMPETITIONS

Case study competitions can add significant value in the accounting education process. Participating students have the opportunity to gain knowledge in areas of accounting that they may not have otherwise received in their accounting curriculum. For example, during the most recent INCPAS case study competition, students were required to research the peer review process. At USI this topic is only briefly mentioned in the Audit course. However, through their involvement in the case study competition, the participating students gained an extensive body of knowledge on the peer review process.

Likewise, the IMA National case study competition covers some of the most recent topics in managerial accounting, such as lean accounting and resource consumption accounting. According to Sandra Richtermeyer, Ph.D., CMA, CPA, IMA’s Professor-in-Residence and a professor at Xavier University, “IMA’s Student Case Competition is an excellent opportunity for accounting students to develop their strategic planning, decision making and presentation skills – critical skills required for success in the management accounting profession” (2005-2006)

The case studies also provide the students with ample opportunity to improve their oral and written communication skills. The INCPAS competition requires the preparation of an extensive report, which is evaluated for the purpose of selecting the six finalists. Then, the finalists give a presentation before a panel of judges for positioning in the top three spots. On the other hand, the IMA requires the team to give oral presentations in both levels of the competition. In order to prepare for the presentations, many of the students at USI participate in Toastmasters International.

Toastmasters is an international organization committed to helping men and women learn the arts of speaking, listening, and thinking--vital skills that promote self-actualization and enhance leadership potential. Toastmaster members learn and practice in a friendly, comfortable atmosphere with other individuals who are also there to improve their communication skills. Members learn to conduct meetings, introduce speakers, give prepared speeches, and perform many other roles. The USI Screaming Eagles Toastmasters International Club meets every week of the school year. Club membership averages 20 students each semester, and several members have become active in external Toastmasters chapters after graduation.

Not only can the competitions expand the student’s knowledge base and improve their communication skills, it can also develop many of their soft skills, such as confidence, motivation, responsibility, teamwork, etc. According to Andrew Eddmenson, a former INCPAS and IMA case study participant, “Participation in the case
study competition has given me the confidence and motivation to take on new challenges and responsibilities. I discovered that a project completed by four different individuals actually turned out better than what I would have put together on my own. I consider the research, organization, writing, presentation and teamwork involved to be the most beneficial experience I gained in college. In other words, the case competition was the highlight and most memorable experience of my college career.”

The involvement in the case study competitions has assisted team members with their job search efforts as well. Most of the USI students who have participated on the case study teams have been sought out by the top regional and national CPA firms. For example, most recently two of the 2006 INCPAS case study members were selected for the only two internship positions offered by a regional firm in the local office. There were a total of 23 applicants for these two positions, and the case study members shined above the rest.

Furthermore, the other two members of the 2006 INCPAS team landed positions with a Final Four national accounting firm. One of those members, May Flores, accepted a position with KPMG. May recounts her case study experiences and has this to say, “I was fortunate enough to obtain internships while still a student at the University. I believe my participation in these various accounting competitions gave me a competitive edge over other accounting students vying for the same internship positions. In 2006, I did a separate Spring Tax internship and Summer Audit internship with two competing local accounting firms within the same year, something that is rare to accomplish during one school year. I am very thankful for all the wonderful benefits these case competitions have given me. No doubt this separated me among other interviewees during Fall Recruitment in 2006. When I was going through interviews with the Big 4 Accounting firms, I stood out among the various crowds of IU, Purdue, and Notre Dame candidates. Some ask me why I join these competitions; some even wonder why I still compete even after the fact that I have a job waiting for me after graduation. I just simply say, it is my passion. With these competitions, you pour your heart and soul into it. It is not just a regular class project that once submitted and graded, you never bother to read again.”

**ROLE OF THE CASE STUDY ADVISOR**

Both of the case study competitions mentioned above require a faculty advisor. The faculty advisor is involved in many activities throughout the case study competition, such as selecting the team, locating necessary resources, enforcing deadlines, providing feedback and making travel arrangements. As an experienced faculty advisor, I have learned the key to success begins with the formation of the team.

**Team Selection**

First and foremost the team members must be able to present in front of a live audience; therefore, excellent oral communication skills is a must. Secondly, the members of the team should be able to effectively research any topic and produce a written report or script from the information gathered. Students who have excelled
academically are usually the best choice for the team because they are typically more committed to obtaining knowledge, which is a must for these competitions. Most of the cases are on topics that the students know little or nothing about so they have to perform a significant amount of research. Finally, the students must have the ability to manage the time required for the case study, along with their many other obligations, such as classes, jobs and family.

Resource Allocation

The INCPAS case study requires a report submission within a 10-day timeframe so having the resources readily available to analyze and solve the requirements of the case is a must. The case study competition tends to run more smoothly when the team has a centralized work location. In the past, the USI team has worked in a study room in the library or in a spare room in the College of Business. Furthermore, all team members should have an available laptop computer so they can rapidly perform the research and share information. The faculty advisor can help coordinate this effort so the students don’t waste time locating resources. The advisor can also provide the resources for conducting conference interviews with practitioners working in the field. Practicing accountants have a wealth of knowledge and experience, making the content of the report even more relevant.

For the presentation requirement of the case, the faculty advisor can organize a group of faculty and/or accounting practitioners to attend a practice run of the case study presentation. Consequently, the team can receive valuable feedback from the participants and adjust their presentation accordingly before presenting to a panel of judges. The case study presentation guidelines require the team to answer questions at the end of the case. During the practice run, the mock judges can better prepare the students for this part of the presentation as well.

Guidance

The advisor should be available for support and guidance throughout the case study competition. Due to enforced deadlines, the team members must have a good understanding of the case requirements and a plan of action for fulfilling the requirements during the time allotted. As a result, the advisor should make sure the team understands what is expected of them and ensure they stay on track as they carry out these requirements. Consequently, the advisor has to maintain close contact with the team throughout the competition.

Also, due to the heavy work load and fast approaching deadlines, some team members may become frustrated with the project, as well as other members of the team. The advisor must be there to handle conflicts between the members and remind them to keep their attention focused on the end result. The advisor should continually remind them of the long-term benefits from their experience in this competition. When reiterating the benefits doesn’t boost their spirits, then the advisor may want to bake some cookies for the team. As an advisor, I have found this can be a huge morale booster.
Feedback

Once the team has completed a rough draft of the written report, the advisor should read it through for content, ensuring the team has addressed all of the written requirements. At this point, the team typically has a little more work to perform in satisfying the requirements. Then, when the final draft is complete, the advisor should read it through for any grammatical errors, making sure the report doesn’t have any misspelled words or incorrect verb usage. The advisor should also attend the mock presentation so they can provide constructive feedback for improving the effectiveness of the presentation.

Travel Arrangements

Teams selected as finalists in these case study competitions, typically have to travel to another location for the final presentation. Consequently, the faculty advisor will assist with the travel reservations and funding for the event. As their advisor, you will typically travel with the team to the final competition. The time between the finalist notification and the final presentation is usually short so you have to make the funding approvals and travel arrangements a high priority.

CONCLUSION

With the number of accounting majors increasing across the nation, students must find a way to differentiate themselves from other graduates. Case study competitions provide the students an opportunity to enhance their skills in many different areas, such as research, analysis, communication, teamwork, etc. When these students enter the recruitment process, they have an opportunity to show case these skills during their interviews. Many of the USI case study students find they spend a significant amount of time talking about the case study during their interviews. USI recruiters seek out the students involved in these competitions.

Furthermore, these competitions provide the students with a great deal of recognition at the local, state and national level. Winners of the INCPAS competition are showcased in the Perspective publication, while the students in the IMA competition are recognized on the IMA website. In 2006, the USI team won the INCPAS competition for the third year in a row, and they were approached by the AICPA for an interview. As a result of this threepeat, this team of four students (May Flores, John Hayden, Adam Knepp and Amy Oglesby) were featured in the topline section of the February 2007 Journal of Accountancy. Consequently, faculty members should encourage their students to engage in case study competitions to give them a competitive edge in the job market.
REFERENCES


Potential Solutions to Broadband Internet Deployment

By: Kirk Atkinson, Assistant Professor - Western Kentucky University

Abstract

Broadband availability in rural areas continues to be a major topic of concern in many areas of the country but especially in our rural communities. Several grassroots organizations including the Wireless Communication Association International, and the Rural Broadband Coalition were created for the sole purpose of closing the “Digital Divide” for under-served Americans. Government should support efforts to offer broadband to the masses, but in some cases special legislation is required to pave the way.

In Kentucky, the Supreme Court rendered an August 2005 decision that may have severely hindered broadband deployment by restricting rural electric cooperatives from providing any service other than that of electricity. It is unclear whether this decision adversely affected rural cooperative’s plans to pursue providing high-speed Internet to their constituents but it certainly caused them to their entrance into a less than competitive market for rural areas. Reacting relatively quickly to this decision the Kentucky Legislature passed legislation that empowered these organizations to once again offer services like Internet, long distance telephone, and propane gas service (ConnectKentucky, 2006). According to the Connect Kentucky Web-site, the percentage of Kentuckians with high-speed Internet access has grown to 92%. Connect Kentucky is a designated 501(c)3 not-for-profit organization commissioned by Governor Ernie Fletcher to ensure all citizens have broadband access by the end of 2007 by coordination of “the planning, funding, deployment and adoption of high-speed Internet, also called broadband, and related technology at the local level” (ConnectKentucky, 2006). Several issues may be unclear however, for example what is defined as broadband access, and whether affordability is a primary concern, for example, is “high speed dialup” included in the broadband categorization? Cellular telephones providers like Cingular, Verizon and Sprint are all offering broadband services to select areas that tout broadband download speeds (Lawton, 2005). Most common to rural areas is the EDGE (Enhanced Data GSM Environment) network which affords 384 kbps burst speeds (Duryee, 2005). The FCC (2001) defines broadband as 200 kbps for both upstream and downstream transmission speeds from provider to subscriber, but also refers to 200 kbps capabilities in a single direction as sufficient to qualify. Dennis (2002) defines any communication circuit with data speeds of 1 Mbps or greater. What remains in question is whether 200 kbps is truly fast enough to handle the expanding venue the Internet offers users?

Barriers

Competition. The issues surrounding implementing broadband Internet to rural America are more complex that one might imagine. Beyond the political wrangling for funding and “turf” control, there are other and perhaps more difficult issues lurking. Politicians are often concerned with only constituents in their district, or are under pressure from lobbyists who have only a particular company or industry’s best interest at heart as opposed to the citizenry. Telephone, cable and other companies are too often embroiled
in deregulation issues which boil down to control over certain geographic regions (Pressler, 2006). Bellsouth, which covers large areas of Kentucky recently announced an increased commitment to wireless Internet availability but still continues to expand into markets where choices already exist (Rush, 2006; Walker, 2006). Further examining of this issue might lead one to conclude that state and local governments will need to be involved as in the cases of Virginia, where Internet service demand is aggregated in with governmental agencies, or Maryland and West Virginia who share resources like statewide fiber networks (Strover, Oden and Inagaki, 2001). Rural cooperatives already serve 1.5 million constituents in Kentucky (KAEC, n.d.) and some are interested in providing high-speed Internet access. Because of their unique position already serving rural residents they should be considered prime contenders for assisting in closing the gap of the under served (Parker, 2000).

**Costs.** People’s ability to pay for broadband Internet access perhaps ranks as one of the chief barriers for achieving saturation of coverage in rural areas (ConnectKentucky, 2006). Minimum wage earners and those living on low, fixed incomes are naturally going to be most concerned with basic living necessities and expensive Internet access will not be received well. Competition or the lack thereof has a dramatic impact on low income earners ability to afford high-speed access especially in rural America (Grubesic & Murray, 2004). According to Jeannine Kenney, senior policy analyst for Consumers Union (Banos, 2006), "Fudging the facts won't provide high-speed Internet access to those who need it most. If the FCC is content to let cable and phone companies control the broadband market, then consumers need a third option; wireless broadband that is less expensive and which doesn't depend on DSL or cable modems. It offers the best and perhaps now the only way to close the digital divide."

**Culture.** Even when people can afford broadband, this doesn’t automatically mean that they will subscribe. Culture plays a huge role in such decision-making. For example, many senior citizens are intimidated by technology and often barely know how to send and receive email, and illiterate American’s who struggle to read might avoid computer technology. There are also reasons that disabled Americans, certain religious-oriented, and even some minority groups might avoid active, persistent use of the Internet (Crabtree & Roberts, n.d).

**Lack of perceived need.** Perhaps among the most difficult barriers to overcome are not technical in nature, but have more to do with human nature (Turner, Thomas, and Reinsch, 2004). Perceptions by those in rural areas are often driven by traditions that are not entirely trusting of technological advances and fail to understand the potential of, in this instance, high-speed Internet (Obilade, 2001). People often see these advances as necessary for the improvement of public education but do not have any notion of the potential beyond K-12. Perhaps being perceived by their peers as a technical “geek” or as one who “thinks they are smarter than everyone else” is also an inhibitor (Ball, 2005). Convincing people of the value proposition is closely related to the cost of Internet access as evidenced by the ConnectKentucky Technology Assessment Study (2005). According to this study on a single Kentucky County, 12% of households reported that they do not own a computer, 38% indicated that they do not need the Internet and another 8% said that it is too expensive. Additionally, 34% of those polled indicated that broadband was either too expensive or unavailable to them.
**Geography.** Considerable technological considerations become apparent when one examines the deployment of broadband capability. Mountainous terrain dominates much of eastern Kentucky and in many cases; many miles of cable must be attached to utility poles or buried which is expensive. Often residents simply live too far from the necessary equipment for DSL service or the terrain isn’t suitable for wireless connectivity (Dern, 2005). Even satellite reception requires a clear view of particular regions of the sky which isn’t always viable in mountainous or heavily forested regions.

**Potential Solutions**

**Satellite**

Satellite access is commonly touted as one viable alternative as high-speed access for rural citizens. While satellite access has progressed with speeds that qualify as high-speed, the initial cost of equipment ranges from $300 to $600 and inflated monthly subscription fees, usually ranging from $50 to $125 per month, can hardly be considered inclusive. Additionally satellite systems often require a specific directional view of the sky which is not always possible and can be adversely affected by weather. This option does help to fill the void for rural consumers left by the incumbent local telephone providers who are busy scrambling to maintain their competitive edge. This option is usually depicted as the solution for consumers who are too far from the RBOC’s switch thereby eliminating DSL as a viable alternative and where cable companies rarely venture (Prieger, 2003).

There are few providers in this individual consumer market in the United States. They are HughesNet, WildBlue, and StarBand (Cope, 2000; Pappalardo, 2002; Ohrman, 2005). HughesNet and Starband both use the Ku band (11.7 to 12.7 GHz) presently which requires a “blanket” effect to ensure coverage (Poe, 2005). Various plans are available with download speeds ranging from 500 kbps up to 1.5 mbps. Pricing of course is the issue and prices do vary between providers but generally range from $49.99 to $129.99 monthly. Current projections by Northern Sky Research (2005) predict that North American based satellite Internet users will exceed 1 million by 2009. Most providers use the Ku band while WildBlue, a relatively new AT&T venture, uses the Ka band. Ka band (18 to 31 GHz) uses “spot beams” in an attempt to optimize the available bandwidth, offer consumers reduce dish sizes and most importantly, reduces the latency at the network operations center which may enable services like virtual private networking, voice over Internet Protocol (VoIP) and video conferencing (Poe, 2005; Sukow, 2001). The disadvantages at this point are that rain fade will likely be an issue and there is only a single satellite which translates to down time for consumers should there be an equipment failure.

**Cable**

Cable delivered Internet is perhaps among the most desired by consumers mainly due to the delivered speeds and reliability (Thierer, 2002). Cable companies that are already providing cable television service have the advantage of existing coaxial copper wire at many consumers’ locations. Cable Internet service is usually superior to DSL and involves the use of a cable modem. The customer can then easily build a wired or wireless network through the use of inexpensive routers. Cable companies also
understand the value to consumers by offering bundled television, Internet and even telephone (VoIP) services (Zitcherman, 2006).

Cable is not a major player for rural areas simply because of the lack of infrastructure currently in existence. The number of miles of copper wire that is required to be installed on utility polls makes for a less than likely business case (Strover, Oden, et.al, 2005).

**DSL**

Digital Subscriber Lines or DSL have been in existence since the late 1990’s but have not found their way into much of rural America. Perhaps the most likely reason is the absence of the necessary equipment in remote regions of the country, like DSLAM’s (digital subscriber line access multiplexers) and the presence of other equipment that inhibits efficient data transmission (Prieger, 2003; Kruger, 2003). Providers in Kentucky like Bellsouth and Alltel have made some progress in rural areas where a set number of consumers are willing to agree to a contract usually lasting 2 years. Once again the primary constraint is how far the desired area of service is from the telephone company’s central office switch (Dodd, 2005). To achieve the most commonly desired data rates using asymmetric or splitterless DSL, there is an 18,000 foot limitation from the DSLAM to the DSL modem. DSLAM’s aggregate the traffic from the subscriber modems and transmit the data on to the Internet via an ISP like AT&T (Dodd, 2005).

One alternative solution is for telephone companies to install digital loop carriers (DLC) that are located in proximity of the potential customers that include a DSLAM. These DLC’s must be connected to the central office via fiber cable and copper from the DSLAM to the customer modem (Rosengrant, 2002). This of course requires considerable investment by the regional Bell Operating company (RBOC) and many areas still are not served because a business case isn’t viable. A contributing factor to the general lack of availability of DSL to rural areas is because telephone companies must remove loading coils and bridge taps from copper lines. These devices were originally placed in the lines to ensure voice quality in local loops exceeding 18,000 feet and to allow for expansion of the system as additional houses were built in the area being served. The loading coils are used to boost signals on analog wires and the bridge taps enable copper wire run from the central office to feed multiple locations (Moore, Pritsky, Riggs & Southwick, 2002). Telephone companies typically remove the loading coils but do not remove bridge taps due to the expense.

DSL will probably not be installed in many rural Kentucky areas for two primary reasons. First, the distance factors coupled with the expected low commitment rate from homeowners will continue to be cost prohibitive for the RBOC’s. Secondly, telephone companies are vested in other forms of communications like wireless. Cingular, Verizon and Sprint all offer wireless data plans for mobile users. Bellsouth owns Cingular and Verizon is also in the landline telecommunications business. Additionally, Bellsouth is now aggressively pursuing pre-WiMAX offerings (Rush, 2006). Many urban areas in the state now have the choice of this service and Bellsouth is committing to additional service areas. Paducah, Kentucky is the latest Kentucky city to receive this service offering. Paducah is a small city of less than 30,000 but can hardly be classified as rural especially in light of the other alternatives available in the area including DSL and cable (Walker, 2006).
Wireless

There are many questions surrounding whether wireless technology is viable for addressing rural Kentucky’s high-speed Internet needs. Many providers and communities have already deployed such technology but in most cases the target sites are urban areas with a rural contingent in the surrounding suburbs (HMPLS, 2005; OMU, n.d.). Another problem is the relatively small number of providers that all wish to dominant their particular markets. For example, Cingular has perhaps the best overall cellular coverage with their towers in south central Kentucky but offers their own GSM-based Internet packages and would resist deployment of more suitable technologies like WiMAX. Cingular does offer their 3G EDGE network in larger metropolitan areas and has expanded their coverage to include many rural locations. Both of these technologies required a wireless PC card that utilizes SIM chips and connects to a single computer through the PCMCIA slot. This approach has limitations such as not being to easily network the Internet accessibility for other machines without establishing shared connections through the primary laptop. Once again, should that laptop be used at other locations as mobile machines typically are, then the home access is unavailable for the duration of the loss of the laptop while traveling. EDGE average download speeds are 50 to 135 kbps with burst speeds approaching 200 kbps. Verizon & Sprint use EV-DO (Evolution-Data Optimized) for their mobile Internet offerings. This technology is available only in metropolitan areas according to the Sprint and Verizon Web sites. UMTS (Universal Mobile Telecommunications System) is also becoming available in larger metropolitan areas, at present by Cingular, and also offers the 400 to 700 kbps downstream speeds (Lawton, 2005). As EV-DO and UMTS become more widely available in rural areas this technology may afford significant opportunities for consumers willing to commit to a contract and purchase a fairly inexpensive PCMCIA card. The need for another device is also clear, an adapter that uses USB or similar technology enabling the user to connect the wireless card to any PC whether a PCMCIA slot exists or not. This also alleviates the issue of tying a laptop up for the sole purpose of providing shared Internet access with other home computers.

Fixed (BroadBandFixedWireless). Owensboro Municipal Utilities deployed a fixed wireless solution in Owensboro, Kentucky for $25 a month subscription fee. Henderson a city roughly half the size of Owensboro has followed suit and deployed a FWBB system (HMPLS, 2005). Their basic residential plan offers 512 kbps speed at a reasonable $30 per month with a commercial offering at $55 monthly for 1 Mbps downstream speeds. In both cases these deployments occurred to primarily serve citizens living within the municipal’s service area.

WiFi (Wireless Fidelity) is a generic term for any 802.11x network (Newton, 2005). The issue with WiFi is the limitation of range of signal especially in areas where long distances is an issue. In the United States the 802.11b and 802.11g operate in the 2.4 GHz band while the 802.11a uses 5 GHz. 802.11a and 802.11g outdoor ranges are limited to something less than a mile, while 802.11b can be in a fixed point-to-point range of up to 5 miles (Dennis, 2002). WiFi, due to limitations relatively short distances is probably not a primary solution for rural Kentucky. The topography of the state with its many hills, valleys, mountains and trees would create significant obstacles for wide range deployment (Dern, 2005). Does this preclude WiFi as a player in the deployment of broadband? Certainly without the use of other technologies it is unlikely, but in a hybrid
approach where other guided mediums are used, for example fiber or broadband over power lines to transport the necessary bandwidth and speeds to wireless access points located strategically in rural areas, WiFi remains a strong candidate. The fact that so many portable devices come equipped with 802.11 support helps to underpin this philosophy (Molta, 2005; Newton, 2005).

**WiMAX** (Worldwide Interoperability for Microwave Access) according to many experts holds the most promise for deployment coverage to the masses (Richardson, 2004) but it is unclear whether this would include sparsely populated areas. WiMAX is based upon the 802.16-2004 (Fixed WiMAX) standard approved in 2004 provides up to a 31 mile linear service range and does not require line-of-sight (Agis, Mitchel, et. al., 2004). Additionally, since WiMAX is capable of shared rates of 70 Mbps there is sufficient capacity to service both business and residential consumers. WiMAX differs from 802.11 a/b/g in that the type of packet scheduling approach is more efficient in terms of bandwidth management and tends to provide stability especially when the system becomes stressed under heavy loads (Ghosh, Andrews, et. al., 2005). The customer premises equipment or CPE needed for the end consumer is minimal, costs around $300 and can be self-installed. There is the option of an indoor or outdoor CPE, and trade-offs with both. The outdoor CPE is more expensive but will reduce signal loss, whereas the indoor unit is cheaper and can be purchased by the homeowner (WiMAX Forum, 2005).

Assuming providers continue to use the same model to determine their deployment strategies, urban areas will see WiMAX first and rural areas only when a business case is made (Zitcherman, 2006; Prieger, 2003). It is more likely that a hybrid of technologies will be necessary to actually reach the more remote and sparsely populated areas. Mesh network technology is a technique where each receiver also serves as a transmitter so that devices that are too far from the tower allow for connectivity with other transceivers creating a “net”, hence the name mesh net. Meshnet technology is current being used in New Orleans, Louisiana for a city-funded WiFi network for 300 kbps free service with paid tiers for higher levels of service (WirelessNews, 2006). But is meshnet viable for rural areas? If Meshnet can work in this country where only a very small minority of homes has landlines and where a rugged topography is an issue, then it is a potential solution for rural Kentucky. Perhaps the best known case of mesh deployment is Chaska, Minnesota. This community of 20,000 people located near Minneapolis used mesh routers from Tropos Networks to deploy wireless service with 1 Mbps downstream speed for $16 a month (Molta, 2005).

**Fiber Optics (FTTH)**

Fiber to the home offers the most available bandwidth and speeds, but it is extremely expensive. Estimates from as little as one year ago were between $1,200 and 1,500 per household, but more recent figures indicate a significant drop in cost to as low as $800 per household. Last mile fiber affords many opportunities including on demand video, VoIP, and very high Internet speeds through a single fiber connection (Green, 2006).

An optical access network uses optical fiber as a transport medium providing enormous bandwidth, has considerably more information carrying capacity, and can span very long distances. For example, a fiber optic cable with the same capacity as a
comparable copper wire is less than 1% of both the size and weight. Additionally, because light is used to transport data as opposed to electricity it is immune to electromagnetic interference. It can be ATM or Ethernet based and can be either a passive, active or hybrid network (Dennis, 2002; Green, 2006).

Passive Optical Networks (PONs) are the most common type of optical network because they require power only at each end of the system. Optical splitters are used to separate and aggregate signal between the optical link terminator (OLT) and the customer homes. In an active node model, there is power between OLT and customer sites implying that should power fail at local levels then service would be disrupted. Hybrid networks use both power after the signal leaves the OLT but prior to when the signal reaches splitters. Yet another emerging form of fiber solutions may be OG technology. In this case, fiber optic cable is attached to the ground wire on utility poles. This solution may best be considered a viable alternative by the rural cooperatives as they schedule routine wire replacement (Phillip Coleman, personal communication, October 8, 2006).

BPL (Broadband over Power Lines)

This technology perhaps affords the greatest opportunity for rural consumers simply because most homes are already “on the grid” for electrical power (Bangeman, 2004). This technology works by running fiber optic or T1 lines alongside overhead or underground power lines into the service area. There the line is run from a transformer box to a conversion unit that intercepts the Internet signal, converts it into data and passes it into the electrical lines. The Internet signal is then accessible from the standard electrical outlets in the home utilizing a receiver box that is plugged into one of the outlets (O’Neal, 2006; Ellis, 2005). Routers may also be used by simply plugging them into an outlet to provide connectivity for laptop users providing portability.

One criticism of BPL is that harmful interference is caused that affects ham radio operators (Bangeman, 2004). According to the National Association of Amateur Radio (ARRL), “received signal levels of BPL broadband noise at typical amateur stations would be anywhere from 33.7 dB to 65.4 dB higher than typical ambient noise levels in the worst-case situations.” A second criticism is that BPL may be cost prohibitive especially if implementing to remote areas with estimated rates of acceptance as high as 15%. Most of these costs are associated with running the initial lines needed and bypassing transformers (Ellis, 2005). In Cape Girardeau, Missouri, Big River Telephone Company began offering BPL to residents as part of their overall strategy to service all customers, especially those in rural areas (Rehagen, 2004). Residents are finding that connection speeds and pricing are competitive with DSL and cable rates. Cinergy Corporation in conjunction with Current Communications Group is planning to deploy BPL to approximately 1.5 million homes in Ohio, Indiana and Kentucky based from a Cincinnati location (Ellis, 2005). The tier-service plans will offer 1 to 3 mbps downstream for between $30 and $40 per month, respectively. The BPL alternative is considerably less costly than a satellite solution and barring lightning strikes or downed lines not as weather affected.

BIG (Broadband in Gas Lines)

Another potential player in the mix may be broadband in gas lines. In San Diego, California, a small startup company called Nethercomm has developed the technology to
deliver broadband Internet and television services through natural gas pipelines. The signal in the ultrawideband uses radio energy across numerous frequencies to help avoid packet loss. Since FCC regulations that limit the strength of ultrawideband signals do not apply to underground pipes it is feasible that household bandwidth could approach 6 Gbps (Davidson, 2006). According to the American Gas Association (2006), 62% of American homes are served by natural gas. The idea has at least sparked the interest of other natural gas providers in Chicago and Atlanta and should the technology be proven during trials will attract many more providers. The natural gas providers receive a huge side benefit with this technology, they are able to use the broadband to monitor usage and pipe integrity (Davidson, 2006). Additionally they might be inclined to lease their pipelines to interested cable and telephone companies looking for lower cost increased in their bandwidth needs. This technology would require the installation of an ultrawideband transmitter that is linked to an Internet backbone and a receiver that would be installed on the customer’s gas meter. The estimate for build out costs is around $200 per household as compared to $600 per home for BPL and $1,000 for cable and telephone (Davidson, 2006; Access Intelligence, 2006).

Conclusions

While traditional technologies like DSL and cable will continue to serve a large percentage of high-speed Internet users in areas already served by those offerings, satellite, wireless variants and broadband over power line technologies will most likely become more common for rural areas. It is not clear whether communities in Kentucky will see BPL or FTTH in the near future, but as rural cooperatives realize that as power lines need replacement the time to include a rural broadband solution may become a viable alternative. Most American’s view cellular alternatives as purely for mobile solutions while traveling. Satellite technology remains expensive for the rural user and provides lower service levels than most DSL and wireless alternatives (Poe, 2005). As technology is enhanced and as additional providers enter the marketplace consumer prices should decrease. The recent announcement by WildBlue Satellite of their collaborative partnership with DirecTV and DishNetwork may also bring some eventual relief in terms of pricing and in the reduction of the number of dishes required for both television and Internet. Broadband in gas pipelines may afford some opportunities to those rural citizens who have natural gas pipelines servicing their residence but again this assumes that natural gas providers are willing to pursue the technology.

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A Model to Determine the Skills Needed by Managers in Human Service Organizations

Gregory A. Moore
Austin Peay State University
Health and Human Performance
P.O. Box 4445
Clarksville, TN 37044
Tel. 931-221-6341
Fax: 931-221-7040
E-mail: mooreg@apsu.edu

ABSTRACT

The purpose of this study is to determine if the inherent nature of the human service organization reveals what special or additional skills a manager needs to manage these organizations. A definition for the human service organization is developed. This definition and characteristics of the human service organization form the basis of the model to derive the special attributes that relate to management skills. Four groups of managerial special skills are identified that compose those needed to address the key characteristics of the human service organization.

Problem Statement

Do managers in the human service organization need special skills different from managers in other organizations? Is there something in the definition or characteristics of the human service organization (HSO) that would indicate there is a set of special skills needed to manage this specialized form of organization? Is there a universally recognized definition of the human service organization? What are the characteristics of the HSO? What do these characteristics tell us about the HSO and the way it should be managed?

However, do we have a useable definition of the human service organization? If not, how should the HSO be defined? If not, does it mean that the processes and skills needed by managers in human services organizations are not clear? Are they the same as any other manager for any other organization? Can they be determined?

Purpose of the Study

The purpose of this study is to determine if the inherent nature of the human service organization reveals what skills managers of these organizations need and how these skills may be different from what managers of typical business organizations need. If the definition and characteristics can be found, can a model indicate if those skills are needed?
Importance

Human services management or administration is sometimes taught as a subject with separate content within schools or departments of business or management. We also find health care or human services management taught as a branch or separate branches in a more clinical setting of another functionally related field or department like medicine, human development, health, or human performance. Public management at times becomes the designated alternative to the more commonly available business management department for those who want a career in health and human services administration. Would a model based on the inherent characteristics of health care and human services organizations bring us closer to understanding the skills, knowledge, and management processes needed to be prepared to manage the human service organization?

If the skills and training needed to manage health care organizations were more easily determined and universally accepted, students and teachers in the field could more easily decide what to learn or what to teach. Better information may help determine if we should separate human services management training from other management training. If there are no significant differences in the typical business organization and the human service organization, then can we collapse separate managerial departments from different fields into one organizational management discipline? If there are differences, we need to identify them, determine how significant they are, and determine systemically how they can be translated into useable information for making choices about teaching human services management.

Examining Existing Definitions and Characteristics of the HSO

A first step in approaching this question is to examine the definitions and characteristics of a human service organization described by others. Next we will determine whether the characteristics of these organizations are different from the typical business or non-human service organization. The following focuses on finding existing definitions of the human services organization, how others describe or characterize it and its system and on discovering comparisons of human service organizations to other organizations.

A review of books available as texts from several areas of health and human service field, including management, finance, economics, organizational behavior, human resources, and law, revealed few definitions of the health care or human services organization. Longest, Rakich, and Darr (2004: 5) refer to the health care organization, stating, “HSOs are entities that provide the organizational structure within which the delivery of health service is made directly to consumers, whether the purpose of the services are preventive, acute, chronic, restorative, or palliative.” Gapenski (2005: 3) in categorizing types of industries in health services delivery states, “The health services industry consists of providers of health services such as medical practices, hospitals, clinics, nursing homes, and home health care agencies.” Gapenski (2005) then lists categories for other organizations in the system, such as health insurance, managed care, pharmaceuticals, biotechnology, medical equipment suppliers, and educational and research agencies. Cleverley and Cameron (2003) define the health service organization as the basic provider of health service, but add that it is also a business. Other books available as texts revealed few outright definitions, but scores of descriptions and characteristics of health care organizations and the health care system.
The HSO Environment

The broad view of the health care system in which the health services organization operates is described by Sultz and Young (2006: xiii), who suggest it includes “… thousands of independent medical practices and partnerships, managed care and provider organizations, public and nonprofit institutions such as hospitals, nursing homes and other specialized care facilities and major private corporations.” Goldsmith (2005: 17) summarizes the health care system as “…expensive, complex, and quite fragmented…” and not “…simply a group of well defined and integrated components, all of which relate to a common goal.” Similarly Santerre and Neun (2004) describe the health care system as complex in part due to constantly changing providers. Gary Filerman argues in a Foreword for Fried, Fottler, and Johnson (2005) that health services administration is challenging due to the complexity of the health care organization and consequential as it directly affects the quality of life in communities. Goldsmith (2005: 17) says the system is characterized by “overlap, waste, and multiplicity of goals.” Kilpatrick and Johnson (1999) describe the increasing competition and government control in health care. McConnell (2003) says competition in health care is a way of life.

What Constitutes an HSO?

Many authors illustrate the breadth of the answer to this question by naming a wide range of participant organizations. Santerre and Neun (2004) offer a specific listing of participants, including hospitals, long term care facilities, private health insurance carriers, physician services, pharmaceuticals, physicians and dentists, nursing homes, mental retardation facilities, consumers, and government agencies. Wolper (2004) adds laboratories to the list. Goldsmith (2005) includes a wide range of organizations including hospitals and the corner drugstore, but for his specific purposes in his text excludes herbalists and therapeutic masseurs, yet recognizes them as a part of the much larger system. Similarly, McConnell (2003) describes the modern health care setting as more than the hospital and private clinic, and includes long term care facilities, rehabilitation services, medical and dental services, freestanding surgical centers, home health agencies, laboratories, hospices, insurance companies, professional medical transportation companies, pharmacies, and pharmaceuticals. Organizations considered in the health care delivery system also include those involved in education, research, and foundation work, according to Shortell and Kaluzny (2000).

Addressing Basic Management Functions

While authors may differ over the number and types of management functions that must be addressed by any organization, several authors agree the health services organization like any other organization must address basic management functions, such as planning, organizing, and controlling (Goldsmith, 2005; Liebler & McConnell, 2004; Longest, Rakich, & Darr, 2004; McConnell, 2003).

A Special Human Purpose and Demand for Quality
Like any other organization the health care services organization must meet people’s needs (McConnell, 2003). However, McConnell (2003: 24) observes that while the health services organization has “a uniquely humane mission,” a simple comparison of health care with industry is insufficient to understand the real differences. He applies Likert’s “scale of organizations” to describe health care organizations in terms of the “job organization system” and the “cooperative motivation system” (McConnell, 2003: 25). Other authors describe the purpose of the health services organization as a participant in the continuum of human services from pre-birth to adulthood to long term care (Longest, Rakich, and Darr, 2004). Outcomes produced by the human service organization are more difficult to measure (Jacobs & Rapoport, 2002; Shortell & Kaluzny, 2000). Yet a demand for greater efficiency and effectiveness faces the health services organization (Longest, et al., 2004). High quality is demanded from the human services organization (Jacobs & Rapoport, 2002; Longest, et al., 2004; McConnell, 2003; Shortell & Kaluzny, 2000). Longest, et al. (2004) note that health services organizations have routinely faced high expectations by consumers and patients, clinicians, and those who pay for health care. Continued high quality care will be demanded despite constant pressure to contain or reduce costs (McConnell, 2003).

Financial operations

Richard L. Clarke in a Foreword for a book authored by Nowicki (2004: ix) says, “Healthcare is unique in the way it is financed. It is characterized by a pluralistic system of public and private delivery of services that is unmatched in other industries.” Santerre and Neun (2004) chart a model of how the health care system is financed, using triangular charts involving sponsors, patients, third party insurers, and health care providers anchoring the flow of fees, services, payments as reimbursement, premiums, and insurance coverage. According to Cleverley and Cameron (2003: 18), “One of the most important financial differences between health care firms and other businesses is the way in which their customers or patients make payments for the services they receive.” They add, “In contrast to the typical business the typical health care system may have several hundred different contractual relationships with payers which specify different rates of payment for an identical basket of services. The unit of payment is a critical distinction.” (Cleverley & Cameron 2003: 18). Cleverley and Cameron (2003) view the health care organization as the basic provider of health services and recognize it is also a business that depends upon patients and third party payments for funding. The health care organization faces capped costs (McConnell, 2003) and can expect to have its costs continuously scrutinized (Longest, Rakich, & Darr, 2004; McConnell, 2003).

Legal ownership

Some authors note that organizations can be characterized by their legal ownership type, namely as for-profit, not-for-profit, or government (Gapenski, 2005; Goldsmith, 2005; McConnell, 2003; Showalter, 2004; Sultz & Young, 2006). Authors who mention this characterization seem to recognize doing so has limitations, having primarily a legal, rather than managerial value. However, Goldsmith (2005) notes that the non-profit organization typically has less clear goals. McConnell (2003: 23) contrasts the historic development of the health care organization from the simple hospital with its charitable status and unique mission to the modern complex medical
Prevalence of professionals and independent contractors

Several authors have cited the increasing professionalization of workers in health care organizations (Kilpatrick & Johnson, 1999; Shortell & Kaluzny, 2000). Fottler (2005) cites health care’s intensive reliance on professionals to deliver services. Shortell and Kaluzny (2000) point out these professionals have an allegiance to their professions. Borkowski (2005: xiii) in a Preface observes, “There are good books on organizational behavior, but they do not embrace the uniqueness and complexity of the health care industry.” Borkowski (2005: xiii) also cites how health care managers must “…‘manage’ individuals who are not employed by the system, but control 80 percent of the resources used.” Shortell and Kaluzny (2000) observe there exists in the health services organization little organizational or managerial control over the group most responsible for generating work and expenditures. The health services organization, according to Shortell and Kaluzny (2000), is characterized by dual lines of authority, especially in hospitals, creating role confusion and problems in coordination and accountability. Fottler (2005) observes that health services organizations are quite different from manufacturing organizations in terms of how human resources activities are performed, for example, noting that health service organizations typically emphasize educational credentials.

Summary of Definitions and Characteristics

While there appears to be no universally accepted definition in the literature, components from some definitions form a basis that includes the essential elements of an HSO. Some authors include a wide range of entities in the health care system. Others offer a more precise definition. The health care organization can be viewed as a basic provider of health care (Cleverley & Cameron, 2003; Gapenski, 2005: 3) delivering services directly to consumers as a part of a continuum of human services from pre-birth to long term care (Longest, Rikich, & Darr, 2004: 5). While the health care organization must address the functions of management like other organizations (Goldsmith, 2005; Liebler & McConnell, 2004; Longest, et al. 2004; McConnell, 2003), says it has a human service, not a primarily business purpose, (McConnell, 2003) yet faces a competitive and regulated environment (Longest, et al., 2004; McConnell, 2003). Goals are difficult to establish. Outcomes are difficult to measure (Jacobs & Rapoport, 2002; Shortell & Kaluzny, 2000). High quality is demanded from a variety of stakeholders (Jacobs & Rapoport, 2002; Longest, et al., 2004; McConnell, 2003; Shortell & Kaluzny, 2000). In addition to their unique financial arrangements (Cleverley & Cameron, 2003) health care organizations are characterized by special challenges faced in their intense use of professionals (Borkowski, 2005; Fottler, 2005; Shortell & Kaluzny, 2000). Having concluded this review of the relevant literature, a discussion of the definition and characteristics of the health care organization follows.

An Operational Definition

An operational definition of a health care or health service organization (HSO) has been constructed by incorporating elements from Longest, et al (2004) and McConnell (2003). The health care or health services organization (HSO) is an entity providing an organizational
structure that offers services along a continuum of human services that are primarily intended to provide a substantial support directly to or facilitate a physical or psychological change in an individual. The inclusion in the definition of the organization’s purpose contrasts it with the typical business organization, which simply produces a product for or delivers a service to an individual for a profit or improving the shareholder wealth. Accordingly, our HSO definition includes organizations in the health care system like hospitals and medical centers, medical practices, nursing homes and assisted living programs, rehabilitation centers, mental health centers, and programs supporting individuals with developmental disabilities programs. Also included are universities, schools, social service agencies, and a myriad of government operations. The definition does not include pharmaceuticals, managed care and insurance providers, medical equipment and supplies companies, and research facilities. While this definition provides a basis for discussing characteristics of the HSO and comparing them to other organizations, we want to address the characteristics of the HSO also before determining what a manager needs to know to manage a health services organization.

The Characteristics of the HSO

Characteristics of an HSO by our definition are discussed and compared with characteristics of other organizations.

Services Are Provided to Individuals

This element of the definition is a core feature related to several other characteristics of an HSO. Given that individual humans are unique, this helps explain the difficulty in determining organizational goals and measuring outcomes. Goals are ambiguous, difficult to identify, observe, quantify, and measure. Determining “best practices” technology is more difficult when the work is labor, not machine, intensive. Best practices or technology is more difficult to apply when the target for change is an individual, not mass producing a product or service. A focus on changing or supporting individuals is a root cause as to why demand for quality is so high. Stakeholders like families, advocacy groups, and the individuals affected by the service can have an intensely emotional and personal interest in outcomes, not typically found in the business producing goods and services. Rejects in the typical business can be tossed; not so in the HSO.

Complex System of Regulation and Finance

The HSO can be contrasted with the typical business organization in its prevalence of third party payers, such as government or grant funding, or managed care partnerships. The HSO faces challenges not typically experienced by the business organization because the payer is not always the recipient of service. This establishes a triangle of a provider, payer, and recipient of services, whereas a typical business has itself and the customer who pays or arranges its own payment. The rules and regulations accompanying the financing can be far reaching and complex. In the typical business the consumer simply pays the bill directly, or votes with their dollar. On the other hand, the manager in the HSO can be confronted with intense and emotional human conflict when demands from stakeholders like the consumer of a service and the third party payer are not in agreement. The mere mention of government Medicaid and Medicare usually prompts quick understanding of this conflict with administrators, physicians, and either
government or private insurers. Any time third party payers are involved, potential conflict is inherent in the system. Avoiding unintentional fraud or abuse in an entangled billing system illustrates this characteristic.

**Prevalence of Professionals**

Intense use of professionals (Fottler, 2005), allegiances to their profession, and dual lines of management (Shortell and Kaluzny, 2000) typify the human services organization providing a service intended to support or change people. Physicians, nurses, rehabilitation therapists, and counselors are but a few professionals that even if employed directly by the HSO may subscribe to codes of ethics or licensing that come into conflict with organizational goals. As independent contractors these professionals can raise a myriad of legal and supervisory issues.

**Other Characteristics**

Two other characteristics need comment. First, the operational definition intentionally can apply to all ownership types. While legal ownership was discovered in the literature as a way to categorize organizations, this has limited usefulness for the purposes of determining managers’ needs in today’s health care organization. McConnell’s (2003) description of the history of the modern health care organization, from charitable to a business, suggests ownership or not-for-profit status is less relevant today. Combined with the competitive environment of the industry, any organization, whether it has not-for-profit, for profit, or government status, must be accountable for its finances and outcomes. How an organization is owned may make a difference in how its accounting is done or how non-profit status restricts some activities, but this characteristic reveals little about special challenges for management.

A second characteristic involves the fact the HSO is in an industry noted to be changing and turbulent. Whether this change is greater than or different from what other organizations face is not clear from the literature. However, the likelihood is that managing change is at least as or more important for the health care organization manager as compared to managers in other organizations. This is not identified to be an inherent characteristic in just the health care organization.

A final comment on the operational definition and its relation to the characteristics is needed prior to presenting a model for determining the skills needed by HSO managers. Like any definition, the one proposed here establishes criteria which include some organizations involved in the healthcare industry, but not others. The purpose of this operational definition is not to categorize or classify organizations related to health care or human services, or even to obtain universal acceptance. The operational definition is a basis, along with the characteristics inherent in the HSO, for creating a model that reveals skills managers need.

**A Model**

The (HSO) is an entity providing an organizational structure that offers services along a continuum of human services that are primarily intended to provide a substantial support directly to or facilitate a physical or psychological change in an individual. (Longest, Rakich, & Darr, 2004; McConnell, 2003.) Four characteristics compatible with the operational definition have been identified as inherent in the nature of the health care organization. These four
characteristics are a focus on individuals, ambiguity in setting goals and difficulty measuring outcomes, complexity in financial arrangements and involvement with third party payers, and a prevalence of professionals and independent contractors.

The model needs one additional definition. A typical business is *an entity that has as its primary mission the production of products or delivery of services to generate profit or improve the position or wealth of shareholders or investors.* This operational definition is intended like the one for the HSO to be a guide, not a determinant to classify or categorize organizations.

The model incorporates two definitions and four characteristics. An Organizational Continuum with Health Services Organization positioned on the left and Business located on the right is diagramed in Figure 1. Each of the four characteristics is symbolized by a capital letter. “I” refers to a focus on individuals. “A” refers to ambiguity in goals and difficulty measuring outcomes. “F” refers to financial complexities and third party payments. “P” refers to professional and independent contractor prevalence. One can plot any organization or group of organizations on the Organizational Continuum. Each of the four capital letters would be placed on the Organizational Continuum line representing where each of the characteristics represented by the symbols would be placed based on where that organization is in terms of whether that characteristic is more or less like the two organizations defined. As an example of its usage the four symbols representing characteristics of a fictitious organization are placed on the Organizational Continuum in Figure 1.

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**FIGURE 1.**

**Organizational Continuum**

<table>
<thead>
<tr>
<th></th>
<th>I</th>
<th>F</th>
<th>A</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>HSO</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

I = Individual focus

A = Ambiguity of goals and difficulty measuring outcomes

F = Financial complexity and third party payments

P = Professional prevalence and independent contractors

*The italicized I, A, F, and P are examples of the placement of these symbols.*

Placement of the symbols on the continuum will be facilitated by using the following descriptions of the core differences between the health services organization and the typical business.
I = Focus on individuals The more an organization focuses on providing direct supports and services to change individuals and the less it mass produces goods and services, the more it resembles an HSO, the more likely stakeholders are more intense and emotional.

A = Ambiguity of goals and difficulty in measuring outcomes Typically a business has as a real goal a clearly identified profit motive or intent to increase the wealth of the shareholder, or a commitment to ensure a return to an investor. Real goals should not be confused with ones some organizations state publicly, which may make a business sound more like an HSO. The HSO has conflict and ambiguity regarding service goals versus financial accountability. These conflicts are related to its emphasis on serving or supporting unique individuals and meeting their needs, having the ability to set goals and measure outcomes.

F = Financial complexity and third party payees An organization where the consumer does not pay the bill directly, whether involving insurance companies, governments, or foundations, this is different from the typical business that sets a price for a product or service and accepts payment directly from the consumer. An organization is more like an HSO when there are substantial numbers of complex regulations applicable to it.

P = Prevalence of professionals and independent contractors Organizations with a prevalence of professionals and independent contractors are more like an HSO than a typical business. The existence of clinical staff with allegiances to professions, codes of ethics, and licenses present issues not faced by the typical business without these staff.

Management Skills Needed for the HSO

As an organization tends to be more like a human services organization in any of these four characteristics, specific areas of education, training, and skills are more likely to be an especially significant need, rather than just needed as if it were to be managed like any other organization. The model serves as a guide without built in quantitative benchmarks. Assessment of an organization(s) using the model requires judgment by the user. No single characteristic or group of characteristics automatically prompts a specific type of training. Having one symbol extremely close to the HSO may prompt a need for the special training. Having all or several the symbols moderately close to the HSO on the continuum may also indicate special training is needed. The symbols on the Organizational Continuum line are indicators for action. The characteristics are interrelated, so the indicated training and education tends to overlap. However, each of four areas of education and training will be described in terms of their applicability to each of the four characteristic in the model. Each training need represents an ability needed by the manager, beyond what would be expected of a manager in a typical business.

Emphasize Strategic Planning

If an organization is identified as having a tendency to being more like an HSO in any one of the four characteristics, a greater emphasis on strategic planning is indicated. Placing a special emphasis on goal setting and focusing on individual outcome measurement can be addressed by identifying a clear vision, mission, and values that sets the stage for clearly written goals. Where there is a prevalence of professionals, financial complexity, and third party payers, involvement in planning from a wide range of stakeholders can facilitate empowerment and goal alignment. Commitment to continuously improving quality is important. Managers can make...
special efforts to be apprised of “best practices” through benchmarking with other entities and sources.

**Cultivate Stakeholders**

Managers can create an open environment for professionals and independent contractors, especially where they are more prevalent. Involve financial parties in planning when complex financial arrangements or third party payers are indicated. Know and respect professionals’ allegiances and codes of ethics. Attempt to resolve perceived conflicts arising from them. Managers can network with advocacy groups.

**Address and Manage Conflict**

Conflict management and active listening are skills necessary for any organization showing tendencies to being more like an HSO in any of the four characteristics. Any one of the four characteristics has potential for conflict, which while needed for other organizations, the HSO manager might be prepared to expect more prevalent conflict and more intense and emotional involvement. Conflict can relate to ambiguous goals, measuring outcomes, professional ethics and organization rules, and third party financing, all inherent in the HSO.

**Develop an Individual Centered Organizational Culture**

Again, where any one of the four characteristics is more like an HSO, this is a needed ability. Knowing what is and how to create or manage an organizational culture that is respected by clinical staff, consumers, advocates, and professionals, funding parties, and regulatory agencies is difficult, but necessary. Skills in strategic planning, conflict management, and stakeholder cultivation overlap this. A commitment to being a steward of the dollar and focusing resources on services is warranted.

**Summary, Conclusions, and Implications**

An operational definition for a human services organization which includes many health care organizations is available in this paper. Four core characteristics of an HSO were derived from the definition and literature. The definition and core characteristics form the basis for a model that can be used to assess how closely an organization resembles an HSO. The assessment is based on four key characteristics: focus on individuals, ambiguous goals and difficulty in measuring outcomes, complexity in financing and third party payers, and a prevalence of professionals and independent contractors. The education and training indicated to address these characteristics are grouped in four areas: emphasize strategic planning, cultivate stakeholders, manage conflict, and create a human or individual centered organizational culture. Just as the four core characteristics are interrelated, the skill groups to address them overlap.

Managers of human services need the same basic fundamental education and training as other managers. This education includes knowledge of the functions of management like planning, organizing, leading, and controlling along with learning to manage change, etc. Nothing has been discovered that would indicate this should not be the practice. However, managers now managing or planning to manage organizations whose key characteristics listed in
the model resemble the human service organization as defined in the model need additional specialized training. A manager only trained in business or public management principles, but plans a career in organizations that provide direct services to individuals may feel ill equipped to meet the challenges associated with the HSO.

There appears to be no compelling reason to collapse all management training into a unified management department. Since substantial differences were identified in the training needed for an HSO manager relative to the manager of a typical business, there is some justification to offer separate training in the specialized processes. More study is needed on what is needed to manage human services and health care organizations.

References


Necessary Trifecta: Creativity, Innovation, and Entrepreneurship: A Literature Review

Lola Smith
Morehead State University
College of Business
Morehead, KY 40351
606 783-9425
lsmith@moreheadstate.edu

Rik Berry
University of Arkansas Fort Smith
College of Business
Fort Smith, AR 72913
479 788-7785
rberry@uafortsmith.edu

Abstract

Numerous authors express the need for a systemic approach to incorporating creativity, innovation and entrepreneurship into the educational process. The paper brings to one resource the logic and desired outcomes of this systemic approach that requires changes toward an integrative, holistic approach to education to remain competitive in the new economic environment of the 21st century. The views of academics, general press authors, and businesspersons converge on an understanding of the need for changes. Additional research is suggested for development of systemic pedagogical models of education that incorporate creativity, innovation and entrepreneurship to enhance competitiveness in the future.

Key Words

Systemic, creativity, innovation, entrepreneurship, competitive advantage, education
Introduction

In the life of an organization, there are inflection points when the balance of forces shifts from the old structure of doing business and competing to the new (Grove, 1996). The speed of change itself fundamentally changes the environment—business as usual does not work in today’s knowledge based economy (Carlson and Wilmot, 2006). Technology is one of the bases of change blurring the edges of organizations (Hunt, C., and Smith, L. 2007) into an interconnected stew (Anderson, 2006), i.e., the UPS World Hub blurring of supply chain relationships that allows individuals, via technology, to share a supply chain similar to that of Wal-Mart, rather than a multi-course meal, with the caution “Will (redefinition) be done by you or to you?” (Friedman, 2006).

Change comes in other forms than technology, one of the more important of which is globalization, which moves from monopolistic centers of power “to multiple centers of expertise and influence,” (Kanter, 1995, 4) as the developed world’s “economy (moves) from an (industrial grade) corporate-centered system defined by large companies to a more (individual) driven one,” (Florida, 2002, 6) and right sizes from big to small (Godin, 2006). The old model assembled the right resources inside an organization to lower transaction costs (Maney, 2006). Today, fed up with rising costs, a new generation of entrepreneurs (Hopkins, 2006); outsourcing helps 20 million micro-businesses work with zero employees. Maney (2006) notes a combination of the Internet, cheap computing, open source projects, and new ways of managing are dramatically dropping transaction costs for doing business outside an organization’s walls.

Design visionary Robert Berner (2006), remarks that companies struggle to transform themselves from cost and control cultures to organizations that profit from creative thinking to ones morphing from the industrial system based in extractive, agricultural and manufacturing industries to a creative economy bound “only by the limits of human talent and imagination,” (Florida, 2005, 25).) Today’s needed skills are those of great “collaborators, orchestrators, synthesizers, dot.com people, and Chief Integrations Officers” (Friedman, 2006, 195) where winning companies emphasize innovation, learning, and collaboration, and select people who are broad, creative thinkers (Kanter, 1995). Organizations need to manage for the future by using creative approaches to “introduce new ideas, products, services, marketing ideas, etc.” (Tucker, 1998, 12).

Mescon (2006) suggests that real opportunities emerge for entities that focus on incremental innovation, building competitive advantages by listening to the customer, and responding in real time with products and/or services.

Hockfield (2006) finds the 21st century economy “fueled” by competition. Saffo comments, “…the most important economic actors are neither producers nor consumers, but creators” (2006, 56). Caputo (2006) believes that universities need to do more than teach their students how to adapt to change, but to educate change agents and develop future entrepreneurs. Romer, the developer of New Growth Theory remarks that ideas don’t fall from the sky but come from people who write software, design products, and start businesses. Every new thing that gives us pleasure or convenience, i.e., an I-phone or a well-run chemical plant, is traced to ingenuity. The basis of economic activity is an iterative knowledge-based economy with increasing speed (Carlson and Wilmot, 2006).

Need for a Reformed Educational System
The world has arrived at the dawn of a new era where knowledge workers are evolving to creators and empathizers, pattern recognizers and meaning makers (Pink, 2005). Unfortunately, today’s educational system focuses on convergent thinking with multiple choice answers to solve problems (Csikszentmihalyi, 1996). On the other hand, divergent thinking leads to no agreed upon solution generating “…ideas, …switching from one perspective to another, and originality in picking unusual associations of ideas,” (60). He also observes that “often, one senses that school threatens to extinguish the interest and curiosity that the child had discovered outside its wall,” (173). Furthermore, today’s K-12 environment, where the “No Child Left Behind” curriculum focuses on convergent thinking, has produced an atmosphere that also inhibits teachers’ morale. Moore (2007) notes performance measures are geared toward memorization, creativity.

A major building block needed by organizations to achieve and maintain competitive advantage is an educational system that values creative and critical thinking. Genuine learning and application is achieved by teaching fundamentals as well as creative problem-solving; both are needed to build an economy (Coulombe, and Marchand, 2004). Those who are encouraged to question and to be divergent thinkers are more likely to develop a problem-finding (problem-solving) attitude (Csikszentmihalyi, 1996).

The International Education Organization (2007) observes that states or school districts must today compare themselves against world benchmarks. China is set to nurture a pioneering approach to entrepreneurship in its classrooms (Friedman, 2005). In terms of educational initiatives, China has recognized that if “one wishes to be more of a systems thinker, you need to engage the creative imagination of people in formulating the problem in diverse and multiple ways,” (Mitroff, 2004, 53).

The U.S. in particular is falling behind in math and science skills, those at the heart of the innovation economy. In 2004, the National Science Board noted that the number of American eighteen- to twenty-four year olds receiving science degrees had fallen to seventeenth in the world (Friedman, 2006). Americans graduating with engineering degrees is 5 percent, compared with 25 and 46 percent in Russia and China, respectively. By 2020 the regenerative ability of U.S. educational institutions may be “damaged and their preeminence lost to other regions” (Friedman, 2006, 258).

The global economy is on the learning curve based on technology breakthroughs; technology drives change. Utterback (1996) suggests “(t)he generality of technology competition is that firms that can run only a little faster than others will pull far ahead given time,” (189). The Chinese are learning how to run faster. Both India and China are leveraging large university populations into technology-based development. The medical school in New Delhi is one of the world’s best; China ranked first in the 2004 Economist magazine’s leading countries for global research and development investment (Florida, 2005). In 2007, China challenged U.S. dominance in space by destroying one of its orbiting satellites with a ballistic missile (Kahn, 2007). Shanghai’s Nanyang High School is a model for educators with a combination of an innovative, hands-on approach to education along with demanding results oriented lessons (Hvistendahl, 2006). Few U.S. institutions have followed Carnegie Mellon’s lead and implemented an interdisciplinary masters program bringing artists and technologists together to envision, explore, design, and create (Smith and Hunt, 2007).
Many countries promote creative and innovative thinking, a necessary component of a strong emphasis on math and science. However, in some countries, when cuts are to be made in a school’s budget, the arts (music, theater, painting, as well as team building disciplines such as physical education) are the first to be eliminated. Dyson (2006) notes the wonky scientist is “as our economy develops it’s the ability to innovate and to be creative and build new things that will help us compete,” (54). Smith, Hunt, Berry, Hunt (2005) indicated a need for organizations to understand and promote the relationship among creativity, innovation, and performance. Qualitative reasoning (artistry, empathy, and emotion) is essential if students are to gain a competitive edge in the global market place (Smith and Hunt, 2007). Combining logic and creativity requires development of both skill sets. It is the “artist’s ability to shape inert matter into lifelike forms that, once created, take on a life of their own and in doing so become a symbol for the human power to change, order, and improve,” (Getzels and Csikszentmihalyi, 1976). Educators taking the attitude of a sailor who needs to adjust his/her sailboat to a sudden wind shift will meet this new need; getting a feel for the strength as well as direction of the wind is required to reconfigure the course. Understanding creativity, innovation, and entrepreneurship is the first step to meet the stated needs.

Innovation is essential for long-term economic growth and the technological global economy gives rise to new opportunities for innovative business ideas. However, a greater emphasis on creative thinking, along with an increased emphasis on science and math, is needed in schools to develop in students innovative and integrating ideas. Leaders need to understand that big ideas without the resources to pursue those ideas do not translate into long-term economic incentives. Financial support is required to upgrade students to compete for and to create jobs as entrepreneurs in this new economy.

Creativity

The world would be a very different place if it were not for creativity; there would be no ideas such as freedom or democracy (Csikszentmihalyi, 1996). Creativity is generally innate in children. Everything is doable without the preconceptions that it can not be done; if a child makes a mistake, he or she just tries again. If one observes children, one realizes that they ask questions as a basis to form ideas and come up with new ones; they learn from everything in their environment by frequently using critical and creative parts of their brains. Albert Einstein’s experiences in developing the Theory of Relativity led him to believe that imagination is more important than knowledge.

Vygotsky (1987) considered imagination to be an active, conscious process of meaning-making that forms a special unity helping a person make sense of the world. Shaw noted that imagination is the beginning of creation, “We imagine what we desire; we will what we imagine; and at last we create what we will” (McCoy, 2002). McCoy concedes that while imagination may start at birth, he holds that creativity only happens by applying imagination to creative ends. Feldman, Csikzentmihalyi, and Gardner, (1994) acknowledge that while childhood creative acts are not equivalent to the creativity needed for high-level innovation (technological or otherwise), they lay the foundation for high-level mastery of creativity and innovation. However, educational and social cultures are such that by the time children reach second grade, they are only using only ten percent of their brain power—both critical and creative (Rovaris-MacDonald, 1997).
To understand creativity, one needs to investigate various types of creativity—Shaw was culturally creative and Einstein scientifically creative; both men are considered creative giants. Florida notes that “Creativity is multi-dimensional and comes in many mutually reinforcing forms along a spectrum,” (Florida, 2002). Creativity is found in invention—technological, entrepreneurship, economic, as well as artistic; creativity in one field is not the same as in another (Feldman, Csikszentmihalyi, and Gardner, 1994).

Creativity’s complexity becomes apparent from its study. It involves the ability to synthesize what is useful in such varied ways as to produce a practical device, theory, or insight that can be applied to achieve a problem resolution or develop a work of art (Csikszentmihalyi, 1996). “Technological and economic creativity are nurtured by and interact with artistic and cultural creativity. This kind of interplay is evident from computer graphics to digital music and animation,” (Florida, 2002, 8). Imagination plays a crucial role in creative thinking “because it allows the mind to see the unseen, envision the invisible, and transform ideas into reality,” (McCoy, 2002, 140). At its most basic, creativity involves change in the way of doing or thinking; as such, creativity may be incremental or revolutionary. Isaac Newton noted that his breakthroughs added to scientific thought that had come before. On the other hand, creativity can be “the achievement of something remarkable and new, something which changes a field of endeavor in a significant way,” (Fedlman, Csikszentmihalyi, and Gardner, 1994, xii).

Simonton (1999) suggests that creativity is favored by an intellect that has been enriched with diverse social and economic. McCoy (2002) suggests that a person cannot be creative in a domain to which he or she is not exposed; creativity most often begins with what individuals know, then moves to what they do not know. Wallas (1926) in the seminal book, “The Art of Thought”, saw creative thinking as a process: preparation, incubation, illumination, and verification. Csikszentmihalyi (1996) builds on Wallas’ model: 1) preparation (immersion in a set of issues that are interesting and arouse curiosity); 2) incubation (ideas churn around in both the conscious and unconscious; 3) insight (the aha, eureka moment); 4) evaluation (an internal locus of control determines the merit of the idea; and 5) elaboration (time consuming as the idea is made manifest).

As such, the process of creativity emerges by a dialectic methodology among individuals of talent who hold domains of knowledge processes and practices that are found within fields of knowledgeable judges (Csikszentmihalyi, 1988); creativity is both individual and social. In addition, Harman and Rheingold (1984) note the conditions for constructive creativeness are also both internal and external. In addition, there seem to be certain personality traits that are characteristics of more creative individuals (Gardner, 1988). Csikszentmihalyi (1996) notes these complex and contradictory traits are present in all of us, but usually one is trained to develop only one pole of that direction. Such training limits the individual’s ability to think holistically. Galenson suggests that creativity comes in two distinct types—quick and dramatic or careful and quiet (Pink, 2006). Each style represents radically different approaches. One style is more conceptual wherein the artist thinks through his/her work carefully before beginning to paint—i.e., Picasso. “The underlying ideas is what mattered; the rest merely execution,” (152). On the other hand, some creative individuals, such as Cezanne, progress in fits and starts. Galenson calls these creative types “experimental inventors” who work slowly perfecting their technique and move towards a goal that never fully understand until they reach it.
and know they’ve reached it. Galenson’s colleagues often scratch their heads over his research; it doesn’t immediately fit neatly into their definitions of what economists do. That is understandable when one considers that the “currently acceptable beliefs about the limits of human creativity, as viewed by our society, and approved by science, tends to be based on a number of implicit premises that have gone unchallenged until recently,” (Harman and Rheingold, 1984, 60). These premises are: 1) People can acquire knowledge only through the physical senses, 2) all qualitative properties are ultimately reducible to quantitative ones, and 3) the capacity for inspiration is limited intellectually one’s IQ at birth. Given these generally accepted principles, basic scientific research is minimized in favor of immediate practical applications. “The rigors of science restrict the scientists’ ability to deal with the broad, ill-defined domains that are so much a part of the human experience,” (Holland, 1998, 220). Recently, a thirty three member panel of national higher education and business leaders convened by the Association of American Colleges and Universities found that employers today often see missing in new hires the ability to use the creative part of their brain (Marklein, 2007, D9). Galenson believes that nurturing innovators is an imperative; “economic ability is all about creativity–given that advanced economies shed routine work and gain advantage through innovation and ingenuity,” (Pink, 2006, 166). Galenson calls for “brash, paradigm-busting youthful conceptualists,” as well as experimental innovators. For example, the dominant view of a banker may be a person who is a rather pedestrian common sense realist, yet if one looks at financial leaders such as John Reed, who produced a string of 425% returns for Citicorp investors because of investments, one sees the possibilities of imagination at work.

**Innovation**

Carlson and Wilmot (2006) proclaim that innovation is defined as the successful creation and delivery of a new or improved product or service that provides value for the customer and sustained profit for the organization. Hargadon (2003) adds that “innovation doesn’t result from breaking free of the past; instead it comes from harnessing the past in powerful new ways,” (1). “Innovation in industry is a process that involves an enormous amount of uncertainty, human creativity, and chance,” (Utterback, 1996, vii). “Innovation is fueled by vigorous tries that (often) don’t amount to anything…but fuel the bubbling cauldron,” (Peters, 1997, 66). “Innovation is hard, focused, purposeful work and it demands diligence, persistence, and commitment,” (Drucker, 1986, 138). Drucker holds that innovation is both conceptual and perceptual and that successful innovators use both sides of their brains. They not only look at figures, but also look at people. They work out analytically what the innovation has to be to satisfy an opportunity. Otherwise, “one risks having the right innovation in the wrong forms,” (135).

Innovation is essential to sustaining competitive advantage (Hamel, 2000). Other business leaders agree that innovation matters and that innovative thinking is not an option; it is a matter of survival (Friedman, 2006; Hanson, 2006; Marklein, 2007). According to Newsweek (2006), Robert Solow estimated that 50% of the economic growth of the U.S. since 1945 could be attributed directly to technological innovation. In an economy fueled by such innovation, one can see the necessity for continued focus on innovation, especially for long-term growth. In such an environment, innovation is not just the job of corporate technologists, but of all major functional areas of business.

What are the most effective innovations? Drucker (1986) suggests that effective
innovations are simple. Indeed the greatest praise an innovation can receive is for people to say, “This is obvious, why didn’t I think of it?” (McCoy, 2002). Hanson (2006) notes, “The innovations that matter most are the…small changes we constantly make to our daily procedures…as (we) go about (the) routine” (134). No matter the setting, the emergence of any innovation requires a target. According to Holland (1998), “This usually happens naturally…because of some unexplained phenomenon or some question posed, followed by two steps: 1) discovery of relevant building blocks; and 2) construction of coherent, relevant combinations of those building blocks. (217). Moberg (2001) suggests there is a distinction between these two aspects in that adaptive creativity takes something that already exists and makes it different or better, such as brand and line extensions. On the other hand, innovative creativity is where something is brand new, such as a technical breakthrough like the microwave oven. Hamel (2000) notes that companies that actively pursue innovation even though it is often difficult and uncertain, will get a payoff from their innovative efforts. However, Lumpkin (2007) notes that no matter the economic incentive, companies and academies are often resistant to innovation. “Companies are often reluctant to invest time and resources into activities with an unknown future,” (238). Innovation requires organizations to make tough choices, and firms often develop internal barriers to change. Innovation, like creativity, requires courage. “Anything threatening to alter the existing…order becomes a candidate for passivity and even resistance…Indeed, failure happens more often than success,” (McCoy, 2002, 147). In fact, it is one of the great paradoxes that truly successful innovative breakthroughs usually come through failure. McGregor (2006) remarks, “The best companies embrace their mistakes and learn from them,” (42). McGregor adds that many companies have found success in the ashes of their memorable misses, such as Xerox’s model 914, which transformed modern office work. Another noted failure was Ford’s Edsel, which tanked, but the process led to more customer preference research on the part of Ford, resulting in the Ford Mustang. Peters (1997) commented that it’s insane to have a practice of “doing it right the first time” because “doing the new means screwing around, trying stuff and messing stuff up—again and again,” (p.67). Organizations must find ways to “measure performance that balances accountability (and) freedom to make mistakes,” (McGregor, 2006, 44). McGregor adds, “Companies need to carve out time for reflection, have flexibility in meeting goals and celebrate failures that teach something new,” (48). We need to do a purposeful systematic analysis of innovation opportunities. There is a need to unleash creativity on the job, for organizations and academic institutions to understand and promote a relationship among creativity, innovation, and entrepreneurship.

Drucker (1993) finds that innovativeness assumes a person’s willingness and interest to look for novel ways of action. Hargadon (2003) suggests looking at different disciplines, environments, etc. and constantly asking how things are similar—using analogical thinking. Untangle existing resources from their current context and put them together in new ways. Utterback (1996) conducted a meticulous study of innovation; in exploring the dynamics of this activity, he provides an extraordinary set of case studies. “Time after time, the industry leader reacts to the threat of change by polishing yesterday’s apple,” (Peters, 1997, 79). By only looking at incremental change rather than adaptation to the new; leaders doomed their firms. The problem for these leaders was not getting innovative thoughts into their minds. McCoy (2002) suggests that finding best solutions
require us to think hard and long enough to let go of ideas that should be abandoned.

Entrepreneurship

Entrepreneurship is the initiation of change through creativity and innovation (Curran and Burrows, 1986). Drucker (1986) and Cohen (1977) proclaim that innovation is the tool of entrepreneurs, the means by which they exploit change as an opportunity. Rauch and Frese (2005) find cumulative evidence that indicates that entrepreneurs are more innovative by nature than other people, and that innovativeness is positively correlated with success. Lumpkin (2007), in examining entrepreneurial psychology, notes that innovation is “demanding in part because it requires organizations, and individuals, to focus on the external environment and stay attuned to technological trends, competitive advances, and shifts in consumer demands,” (239). Mecson (2006) concurs, “(r)eal opportunities emerge for entities that focus on incremental innovation, building competitive advantage by listening to the customer, and responding in real time with products and/or services,” (1). Shane and Venkataraman (2000) describe entrepreneurship as a field that “seeks to understand how opportunities to create something new arise and are discovered or created by specific persons, who then… exploit or develop them, thus producing a wide range of effects,” (278).

When one looks at these components, one comes to the realization that entrepreneurship, like creativity, and innovativeness can be viewed as a continuous, evolving process. Harmon and Rheingold (1984) labeled these processes as: 1) Pre-launch, 2) launch, and 3) post-launch. Just as creativity often requires raw courage to go against the status quo, the same can be held for inventors and entrepreneurs.

It also takes human vision, intention, and work to “conceive and convert business ideas to successful products and services. Entrepreneurs, through their thinking and actions, integrate human and financial resources to organize, produce, and market goods and services that yield value for customers and workers,” (Baum, Frese, and Baron, 2007). Once an idea is generated, entrepreneurs then must persuade others of its potential value in order to secure the resources needed for its development (Harman and Rheingold, 1984). It is relatively easy to envision some desirable technological application—but quite a different task to implement the ideas by convincing others the idea is worth pursuing, and then go on to market the application successfully. “Successful ideas are often a balance between novelty and familiarity: new and different enough to capture consumers’ attention, but familiar enough not to be misunderstood or rejected out of hand as to radically different,” (Ward, 2004, 174).

If organizations view entrepreneurship as “the generation and implementation of novel, appropriate ideas to establish a new venture,” then a range of internal and external factors become relevant (Amabile, 1997, 20). Only a relatively small number of people are successful entrepreneurs; a trait that differentiates the successful few from others is tenacity. Entrepreneurs have both passion and reason. Passion motivates because entrepreneurs love their work, feeling joy in the process of creation as an artist feels about his/her painting. Entrepreneurs must also have domain knowledge underlying action. “(T)hriving companies gathered the knowledge that gave them a substantial edge on their competition,” (Dell, 1999, 206).

Entrepreneurs also tend to be risk takers—someone who, in the context of a business
venture, pursues a business idea even when the probability of succeeding is low. Ironically, while individual entrepreneurs tend toward risk taking, firms are often risk avoiders and thus avoid innovation. Chell, Haworth, and Brearley (1991) note the general personality traits for entrepreneurs as follows: extroversion, emotional stability, openness to experience, agreeableness, conscientiousness, need for achievement, risk taking, autonomy, innovativeness, internal locus of control.

Kanter (1995) observes that world class companies are entrepreneurial, always searching for better concepts, listening to their customers, investing in customer driven innovation. “They are more learning oriented, searching for ideas and experience through informal inquisitiveness, as well as formal education. And they are more collaborative, valuing relationships and willing to work closely with other companies as their partners in achieving a common objective,” (52). Entrepreneurial innovation is essential to these companies in terms of sustaining competitive advantage.

**Conclusion**

The literature leads the authors to conclude that to remain competitive in this rapidly changing globalized/technological environment there must be a commitment to change the way organizations do what they do. From the very largest corporation to the smallest home-based business, there must be a cultural investment in creating an educational and business environment where art, math and science are highly valued. Organizations require environments that see creativity and innovativeness as valuable commodities. Such traits need to be nurtured through appropriate learning and teaching strategies towards greater reflection in order to adequately prepare individuals for the world of work, a world where sustained entrepreneurial activity is a core practice. Academic and organizational environments that facilitate a greater degree of self-discovered knowledge are needed. Such an approach makes a vital contribution to the world by helping to produce managers who are intellectually able to think outside the box in terms of practices and paradigms. In doing so, these managers will contribute important revitalizing creative insights as well as a competitive advantage.

A systematic approach is needed to develop entrepreneurial programs such as that at Carnegie Mellon, marrying the arts and sciences. At the heart is a personal human creative act that initiates activity; without such action there is no entrepreneurship. At the simplest level, creative techniques such as brainstorming, mind mapping, and team work can be introduced into classrooms. In order to develop or maintain competitive advantage, innovative leadership is needed to refocus the curriculum so it is more holistic and less prescriptive. Students who know the business sector, as well as having a technological background, in addition to being able to cultivate relationships both inside and outside the organization (i.e., having strong communication skills) are in great demand. There is a strong need for risk takers in terms of developing an educational system that can compete in the new economy with the new management philosophy. We no longer live in a world where unskilled labor can find jobs in abundance.
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An Abstract
This is a case study of one woman’s determination to fight corruption and save millions of lives- Dr. Dora Akunyili, Director General NAFDAC. In the summer of 2006, I had the opportunity to sit down for about 3 hours with the Director General at her residence in Lagos, Nigeria. The goal is to use the case in a graduate, MBA, operations management class, in a predominantly women’s institution in New Jersey. Dubbed the most corrupt country in the world, Nigeria has been a theater for corrupt national and international operators, who see lots of money to be made in an atmosphere of loose and buyable judicial and legal systems. In a country where ground-chalk has passed for aspirin, and ordinary water for anesthetics, Nigerians have paid a terrible price with their lives while unscrupulous businessmen, from inside the country and as far away as China and India, enriched themselves peddling their wares of counterfeit and adulterated drugs. Governments and law enforcement agents who were easily bought, looked the other way as the health system became compromised, and men, women and children died, trusting they were taking genuine medication, when, in fact, they were taking poisons at the hands of unsuspecting healthcare workers. But there was one death too many. In 2001, a lady, by the name of Dr. Dora Akunyili, a professor of pharmacology, whose sister had died of counterfeit drugs, was appointed the Director General, of NAFDAC. The rest, as they say, is history.

TEACHING NOTES

Nigeria’s National Agency for Food & Drug Administration and Control
(NAFDAC- A CASE STUDY)

Background:
I was researching the Cost of Corruption-Nigeria Case, in the school library early in 2006, when the social sciences librarian brought a Newsweek article to my attention. The article was devoted to women who were taking leadership positions in what seemed a new direction to save Africa from the rot of corruption and human degradation. One of the women chronicled was Dr. Dora Akunyili, the Director General of Nigeria’s NAFDAC (National Agency for Food and Drug Administration and Control). We made every effort to contact NAFDAC, and the Director General, by e-mail, to no avail.
During a visit to Nigeria in August, 2006, we were particularly lucky to track Dr. Akunyili down while she was visiting one of NAFDAC offices in Lagos. This case study is written for use in a course of Production and Operations Management, a required course in an MBA program. It is a case study that shows what difference an individual can make in our world of greed and corruption. In a world of Enron, WorldCom, Ford vs. Firestone, and, of course, the endemic corruption especially in the third world, one determined individual could refuse to carry on business as usual. This individual could forge a new model that is ethical, transparent and enormously beneficial to all.

This is an example of a fight borne out of the deep conviction that to continue along the easy and more convenient path is fraught with danger to all, even more danger than the great risk in implementing a changed paradigm, based on ethics and transparency.

Teaching Objectives:
I expect to use this case study to demonstrate a possible transition from the corrupt and laissez-faire past of the developing world, to a more transparent, ethical and responsible future, spear-headed by, above all, a woman - a new face for Africa. My school is predominantly female. So this case study empowers the women who expect to take leadership positions in corporations and in politics, not to hesitate to go against the popular trend, when one knows the right things to do. The course charted may be unpopular and fraught with danger. But there is no alternative. To do otherwise is more costly and more dangerous.

My objectives include:
• Briefly give a picture of management in a very corrupt country, like Nigeria in the past- the years before 2001, looking through the NAFDAC prism.
• Enable students to understand the enormous cost and destruction of a model that was unethical and corrupt. Remind them of the negative externalities of death, drug resistant diseases, confusion in the health professions, as a result of continuing with business as usual.
• Build an understanding of how one individual, against many odds, can change the status quo, and chart a new course for a company and a country. Above all, let the class know that the change does not have to be initiated and/or executed by a man.
• Understand what leadership by example means, and the transformation that could take place with strong will and determination.
• Emphasize the need for developing an organization strategy that dovetails that of the nation, and the need to communicate that strategy to all the stakeholders.
• Understand that even with all the success, one should not rest on one’s laurels – requires continuous efforts to stay the new course.

Classroom Approach:
This case will be used for a 90-minute discussion session of a 2 and 1/2 hour graduate class. The first hour will be used to cover the general topic of ethics in the business environment, which includes the political and social fabrics of the society, and strategy formulation for competitive purposes.
Nigeria Background and the Business Environment.

- Nigeria is one of the most corrupt countries in the world. Corruption is so endemic that one assumes they could buy their way through all segments of the society. Everybody recognized that taking bribes had no adverse consequences to the individual, rather it is what was expected of wise and intelligent people. So there may be laws in the books, but one could buy their way through all the laws.
- In a country where a party in power can perpetuate itself in office because of unchecked and wanton rigging of elections by election officials who have been bought off, who is it that could stand in the way of official corruption and misdeeds.
- Bribe takers who show off their ill-gotten wealth by their big mansions and fancy cars, are adored and glorified by their kits and kins, and are highly regarded in the society.

The costs and consequences of corruption in the healthcare industry.

- In spite of Nigeria’s oil wealth, its mortality rate for under 5 year olds has been one of the worst in the world, at 198/1000, compared to Haiti’s 118/1000 in 2003. Maternal mortality rate was 800/100,000 live births, compared to Haiti’s 680/100,000, is also one of the highest in the world\(^1\). The high mortality rate is due in part to compromised healthcare industry. The proliferation of fake and adulterated medicines, and the totally disorganized distribution system have reduced healthcare to a chancy proposition. When one was sick, if lucky, the medicine given to him/her would be genuine. If one was unlucky, the medicine would be fake, and possibly some poison that would kill them much faster.
- The most virulent of malaria parasites, *Plasmodium falciparum*, had developed resistance to the most effective medication, accounting for a resurgence of the deadly virus, attacking about 500 million in Africa, and responsible for the death of more than 800,000 children under the age of 5 annually, in the continent\(^2\).
- The healthcare system had lost any credibility it had in Nigeria because of its failure to arrest even the most mundane type of illness. It was not sure that it could cure the simple headache. The fear that medication, administered innocently, to cure an ailment could be poison was very frightening to the public. There was no place to turn. The well to do had access to some supply of medication in the US or Europe. So they could afford to turn a blind eye to the curse of counterfeit and adulterated drugs. Imagine going to the pharmacist to fill a prescription, and not having any confidence that the prescription would be filled with genuine medication. The most frightening part was that for many years, the government and law enforcement agencies could not do a thing about it.

The Appointment of Dr. Akunyili, and a Paradigm Shift.

- Dr. Dorothy Akunyili, a professor of pharmacology at the University of Nigeria at Enugu was appointed the Director General of NAFDAC in February 2001. Her sister had died of an illness that should have been easily treated, but for the fact that she was given fake instead of proper medications. Dr. Akunyili was a Christian, who had

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\(^1\) UNDP Human Development Report, 2005
nothing but contempt for the corruption in Nigeria, and a scourge that was reducing her profession and the entire healthcare system to an object of ridicule. Dr. Akunyili was a woman.

- She had a choice: (1) business as usual, and great wealth; or (2) carve a new direction for NAFDAC, transparency, ethics, no wealth, and possible assassination. She chose the later, and the rest, as they say, is history. In her position as the head of the Food and Drug Administration and Control, Dr. Akunyili could have chosen to turn a blind eye, and make multi-millionaires of herself and her workers.

- She instead chose to do the right thing. She chose to rid the country of counterfeit drugs. She chose to help restore the integrity of the health system. She chose to save the lives of innocent men, women and children, who had no alternative, and probably did not have much voice either, in a country that any voice did not matter one bit. She chose ethics over complicity. She chose transparency over corruption. And she succeeded beyond her wildest imagination.

### The Effect of Leadership by Example

- One major problem of corrupt management is that they do not practice what they preach. While the management of Enron was busy faking financial systems and siphoning off Enron’s wealth, they were preaching hard work and transparency to their workers, deceiving them into pouring their lives saving in Enron stocks. While Gingrich was publicly impeaching president Clinton in 1995, he was busy carrying on illicit extra-marital affairs. While the Nigerian president, Olusegun Obasanjo was preaching against corruption, he was busy accepting gifts bought with laundered money from his personal assistant. Stories of hypocrisy and unethical behavior abound in industry and governments.

### Need for Organization Strategy, and for it to be communicated to all

- Dr. Akunyili started with a vision and a mission statement. She recognized her mission as safeguarding the health of the public. This was what the president of the country appointed her to do. She developed a mission statement; the safeguard the health of the public by eradicating all fake and substandard drugs in the country.

- She developed the two-prong strategy for executing the mission statement, namely enforcement of the drug laws in the books, and public enlightenment and education. She also made sure that all her subordinates were familiar with the mission and strategies, and bought into them. Those who thought business would be as usual were let go.

_The Need for Continuous Efforts at staying and improving the new course._

- NAFDAC continues to be very much in the news in Nigeria and in the international media. In March of 2007, NAFDAC closed a market in Onitsha, and confiscated tons of fake drugs. NAFDAC is very aware that their work is never done. As long as there
is a single criminal intent on selling counterfeit drugs in Nigeria, NAFDAC has devices to track them down and get them out of business.
The Determinants of Infant and Child Mortality in Developing Countries: The Case of Sub-Sahara Africa

Bichaka Fayissa and Mohamed I. El-Kaissy
Middle Tennessee State University
University of Phoenix

Academic Business World Conference
May 28, 29, and 30 2007
Nashville, TN

The Determinants of Infant Mortality in Developing Countries:
The Case of Sub-Sahara Africa

Bichaka Fayissa and Mohamed I. El-Kaissy

The main objectives of this paper are:

• To examine the determinants of the variations in the mortality rates for the less than one year old infants (IMR) and for the less than five year old children (CMR)

• Assess the endogeniety or feedback effects between the crude birth rate (CBR) and child mortality rate (CMR).

• Draw some policy conclusions for reducing the relatively high child mortality rate in Sub-Saharan Africa.

The study will explore the effects of:
- Economic (income per capita-IPC, government expenditures on health and nutrition- PHL)

- Demographic (crude birth rate-CBR, female education -EDF, female labor force participation rate-FLR)

- Health care aspects ( access to safe water-WTR, Immunization -IMZ, under weight births-UWB, malnutrition-MLN),

- Structural adjustment (Debt/GDP Ratio-DGR) factors on CBR, IMR, and CMR, respectively.

Conclusion:
• We found that the years of education of women, public expenditures on health, and per capita income are important in reducing the crude birth rate (CBR), infant, and child mortality rates (IMR and CMR).

• The rural orientation of the population (RUR) and the debt burden peroxide by the debt/GDP ratio are found to increase the above dependent variables.

• The results of this exercise show that the CBR can be reduced by investing in health awareness and education, especially of women.

Policy Recommendations:
To reduce infant mortality, government health programs in these countries can focus on the distribution of nutritional supplements to young babies and their lactating mothers.

Child mortality can also be reduced by increasing access to safe water and food through such programs as the United Nations Food for Work Programs.

Debt reductions or even cancellation of a portion of these outstanding obligations can help Sub-Saharan African economies to invest in health, education, and industry for reducing high infant and child mortality rates which are currently prevalent.

List of Variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
</tr>
</thead>
</table>

Page 688 of 992
<table>
<thead>
<tr>
<th>Variable</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBR</td>
<td>Crude birth rate, number of births per 1,000 population.</td>
</tr>
<tr>
<td>CMR</td>
<td>Child mortality rate, the annual number of deaths of children under five years per 1,000 live birth.</td>
</tr>
<tr>
<td>DGR</td>
<td>Total external debt as a share of GDP</td>
</tr>
<tr>
<td>EDF</td>
<td>Mean years of schooling in women 25 years old or older.</td>
</tr>
<tr>
<td>FLR</td>
<td>Female labor force participation rate</td>
</tr>
<tr>
<td>IMR</td>
<td>Infant mortality rate, number of deaths of infants under one year of age, per 1,000 live birth</td>
</tr>
<tr>
<td>IPC</td>
<td>Real (PPP) gross domestic product per capita.</td>
</tr>
<tr>
<td>MAL</td>
<td>Moderate and severe child malnutrition, the percentage of children under the age of five, below minus two standard deviations from median weight-for-age of the reference population</td>
</tr>
<tr>
<td>PHL</td>
<td>Health expenditures as a percentage of GNP</td>
</tr>
<tr>
<td>RUR</td>
<td>Rural population, the percentage of the population living in rural areas</td>
</tr>
<tr>
<td>WTR</td>
<td>Safe water access, the percentage of the population with access to safe water supply</td>
</tr>
</tbody>
</table>

### Table 1: OLS Results of the Crude Birth Rate Equation

<table>
<thead>
<tr>
<th>Variable</th>
<th>Eq. 1.1</th>
<th>Eq. 1.2</th>
<th>Eq. 1.3</th>
</tr>
</thead>
</table>

Page 689 of 992
<table>
<thead>
<tr>
<th>Variable</th>
<th>Eq. 2.1</th>
<th>Eq. 2.2</th>
<th>Eq. 2.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>31.0 **</td>
<td>39.2**</td>
<td>39.2 **</td>
</tr>
<tr>
<td></td>
<td>(6.0)</td>
<td>(8.7)</td>
<td>(8.6)</td>
</tr>
<tr>
<td>CMR</td>
<td></td>
<td></td>
<td>.03</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(.03)</td>
</tr>
<tr>
<td>EDF</td>
<td>-3.7**</td>
<td>-1.9**</td>
<td>-1.9</td>
</tr>
<tr>
<td></td>
<td>(-3.5)</td>
<td>(-4.1)</td>
<td>(-3.3)</td>
</tr>
<tr>
<td>RUR</td>
<td>.2*</td>
<td>.12*</td>
<td>.12*</td>
</tr>
<tr>
<td></td>
<td>(2.9)</td>
<td>(2.0)</td>
<td>(1.9)</td>
</tr>
<tr>
<td>DGR</td>
<td>.03**</td>
<td>.02*</td>
<td>.02*</td>
</tr>
<tr>
<td></td>
<td>(2.9)</td>
<td>(2.3)</td>
<td>(2.1)</td>
</tr>
<tr>
<td>IPC</td>
<td></td>
<td>-.003**</td>
<td>-.003**</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(-5.32)</td>
<td>(-5.28)</td>
</tr>
<tr>
<td>Obs.</td>
<td>34</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>Adj. R2</td>
<td>.532</td>
<td>.681</td>
<td>.670</td>
</tr>
</tbody>
</table>

Note:  
* Denotes significance of the coefficient at \( p = .05 \)  
** Denotes significance of the coefficient at \( p = .01 \)  
The numbers in parenthesis represent the t-statistic.

Table 2: OLS Results of the Infant Mortality Rate Equation  
(Dependent Variable: IMR)
<table>
<thead>
<tr>
<th>Variable</th>
<th>Eq. 3.1</th>
<th>Eq. 3.2</th>
<th>Eq. 3.3</th>
<th>Eq. 3.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>108.6 **</td>
<td>23.9</td>
<td>-34.5</td>
<td>(-9.1)</td>
</tr>
<tr>
<td>CBR</td>
<td>1.9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PHL</td>
<td>-4.4*</td>
<td>-3.8*</td>
<td>-3.5*</td>
<td>(-2.9)</td>
</tr>
<tr>
<td>DGR</td>
<td>.14**</td>
<td>.20**</td>
<td>.15**</td>
<td>(3.5)</td>
</tr>
<tr>
<td>EDF</td>
<td>-14.8*</td>
<td>-13.0*</td>
<td>-6.0</td>
<td>(-2.6)</td>
</tr>
<tr>
<td>RUR</td>
<td>.7*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obs.</td>
<td>34</td>
<td>34</td>
<td>34</td>
<td></td>
</tr>
<tr>
<td>Adj. R2</td>
<td>.304</td>
<td>.443</td>
<td>.482</td>
<td></td>
</tr>
</tbody>
</table>

Note: * Denotes significance of the coefficient at \( \alpha = .05 \)
** Denotes significance of the coefficient at \( \alpha = .01 \)
The numbers in parenthesis represent the t-statistic.

Table 3: OLS Results of the Child Mortality Rate Equation
(Dependent Variable: CMR)
<table>
<thead>
<tr>
<th>Variable</th>
<th>CBR</th>
<th>CMR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>218.3**</td>
<td>192.1**</td>
</tr>
<tr>
<td></td>
<td>(13.9)</td>
<td>(8.8)</td>
</tr>
<tr>
<td>CBR</td>
<td>.63</td>
<td>.63</td>
</tr>
<tr>
<td></td>
<td>(.4)</td>
<td>(.4)</td>
</tr>
<tr>
<td>PHL</td>
<td>-12.8**</td>
<td>-13.7**</td>
</tr>
<tr>
<td></td>
<td>(-3.9)</td>
<td>(-4.3)</td>
</tr>
<tr>
<td>DGR</td>
<td>.23*</td>
<td>.19*</td>
</tr>
<tr>
<td></td>
<td>(2.3)</td>
<td>(1.7)</td>
</tr>
<tr>
<td>EDF</td>
<td>-38.7**</td>
<td>-37.4**</td>
</tr>
<tr>
<td></td>
<td>(-4.5)</td>
<td>(-4.0)</td>
</tr>
<tr>
<td>RUR</td>
<td>2.1**</td>
<td>2.0**</td>
</tr>
<tr>
<td></td>
<td>(3.8)</td>
<td>(3.6)</td>
</tr>
<tr>
<td>MAL</td>
<td>.8</td>
<td>.8</td>
</tr>
<tr>
<td></td>
<td>(1.3)</td>
<td>(1.3)</td>
</tr>
<tr>
<td>Obs.</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>Adj. R2</td>
<td>.498</td>
<td>.626</td>
</tr>
</tbody>
</table>

Note: * Denotes significance of the coefficient at =.05  
** Denotes significance of the coefficient at =.01  
The numbers in parenthesis represent the t-statistic.  
Table 4: Two-Stage Least Squares Estimates of CBR and CMR
<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>T-statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMRFIT</td>
<td>.04*</td>
<td>2.3</td>
</tr>
<tr>
<td>CBRFIT</td>
<td>4.4*</td>
<td>2.4</td>
</tr>
<tr>
<td>EDF</td>
<td>-.58</td>
<td>-18.1*</td>
</tr>
<tr>
<td></td>
<td>(-.7)</td>
<td>(-1.9)</td>
</tr>
<tr>
<td>PHL</td>
<td>-10.1**</td>
<td>(-3.1)</td>
</tr>
<tr>
<td>RUR</td>
<td>.02</td>
<td>1.4*</td>
</tr>
<tr>
<td></td>
<td>(.3)</td>
<td>(2.3)</td>
</tr>
<tr>
<td>DGR</td>
<td>.27**</td>
<td>2.8</td>
</tr>
<tr>
<td>IPC</td>
<td>-.003**</td>
<td>(-4.8)</td>
</tr>
<tr>
<td>Obs.</td>
<td>34</td>
<td>34</td>
</tr>
</tbody>
</table>

Note: * Denotes significance of the coefficient at \( \alpha = .05 \)  
** Denotes significance of the coefficient at \( \alpha = .01 \)  
The numbers in parenthesis represent the t-statistic.
An Examination of the Influence of Contextual and Individual Variables on Public Accountants’ Job Exhaustion

Daniel W. Law*
Assistant Professor of Accounting
School of Business Administration
Gonzaga University
Spokane, WA  99258
law@jepson.gonzaga.edu

John T. Sweeney
Professor of Accounting
School of Accounting, Information Systems and Business Law
Washington State University
Pullman, WA  99164
jtsweeney@wsu.edu

Scott L. Summers
Associate Professor
School of Accounting
Brigham Young University
Provo, Utah  85602
summers@byu.edu

The authors gratefully acknowledge the helpful comments of Bernie Wong-On-Wing, Bill Stammerjohan, and other participants in the accounting research workshop at Washington State University.

(*contact author)
AN EXAMINATION OF THE INFLUENCE OF CONTEXTUAL AND INDIVIDUAL VARIABLES ON PUBLIC ACCOUNTANTS’ JOB EXHAUSTION

ABSTRACT: Despite its widespread acceptance and application in the psychology literature, job exhaustion, a specific type of stress common in professional workplaces, has only recently been examined in the domain of public accounting. These studies highlighted the problem of exhaustion within the profession and examined its causes relative to the environment of public accounting. Another factor, not previously addressed in the context of public accounting, is the role personality plays on public accountants’ job exhaustion. The current study addressed this void by examining how the personality traits of hardiness, workaholism, neuroticism, and Type-A behavior in public accountants affected job exhaustion. Our results indicate that public accountants who were high in hardiness experienced significantly less exhaustion. We did not find a significant relationship between other personality traits and exhaustion. The role stressor of overload and conflict were also significant contributors to public accountants’ exhaustion.

Keywords: exhaustion; personality, hardiness, public accounting
Business Ethics Education: The Service Quality Perspective

Lada Helen V. Kurpis, Ph.D. (Gonzaga University), Mirjeta S. Beqiri, Ph.D. (Gonzaga University), James G. Helgeson, Ph.D. (Gonzaga University)

Functioning in a highly competitive marketplace of educational services and trying to stay true to their missions and visions while serving the changing needs of their constituents, business schools need domain-specific analytical tools that can help them in strategic planning. For instance, how can a business school determine the optimal amount of business ethics education to be delivered within the broader framework of its curriculum? There are many potential reasons for business schools’ search for the answer to this question. Some schools might wish to enhance their business ethics education offerings in order to align their curricula with their mission statements and strategic objectives (Owens, 1998). Others might try to boost business ethics education in response to the society’s concern over recent cases of unethical behavior of business professionals (Malone, 2006). This raises the question: once the new courses are designed and changes are implemented, which criterion should be used to determine if the changes helped to reach goals. The American Assembly of the Collegiate Schools of Business (AACSB) promotes the importance of ethics in business education but does not provide specific quantitative guidelines for determining the amount of business ethics education to be offered by each individual school (McAlister, 2004). Therefore, each business school will need to decide for itself if the changes were successful and if further actions are needed.

In our opinion, business school faculty and administration could benefit from having access to an assessment tool that would allow them to measure the perceived quality of the business ethics education that they currently provide. Development of such a measurement instrument will open the possibilities for benchmarking, historical comparisons, and other methods of strategic analysis. Systematic measurement of perceived quality of business ethics education will allow business faculty and administrators to make necessary adjustments to their educational programs. For instance, if a business school becomes aware that certain student populations express greater need for ethics education, then ethics curriculum can be tailored to the needs of these groups so that additional elective courses are offered. A measurement instrument will also be of use in identifying the factors contributing to students’ perceptions of quality. Overall, an ethics education assessment tool can be used to direct business schools faculty and administrators’ efforts in developing better business ethics programs and preparing generations of ethical business professionals.
Teaching a Hybrid MBA Course: A Case Study in Information Technology

Ellen D. Hoadley, Ph.D.
Loyola College in Maryland
Dept. of Information Systems and Operations Management
The Sellinger School
2034 Greenspring Drive – GCTC 40F
Timonium, MD 21093

(410) 617-1618
ehoadley@loyola.edu
Teaching a Hybrid MBA Course: A Case Study in Information Technology

Abstract
There is ongoing research into online, distributed, distance learning that has transitioned from mailing video tapes to fully-implemented web-based courses. Less research has been conducted on hybrid courses – those that combine face-to-face sessions with web-based sessions. This paper reports on a case study of a hybrid course that teaches Information Technology in an MBA program. Rationalization for the implementation of a hybrid course within a traditional MBA program is explained. Cautions and expectations from the literature are explored. Lessons learned from the faculty perspective are presented.
Implications of the "Three Worlds of Information Technology"

Donna M. Schaeffer, PhD
Associate Professor
Marymount University
2807 N. Glebe Road
Arlington, VA 22207
donna.schaeffer@marymount.edu

Patrick C. Olson
Associate Professor
National University, San Jose Learning Center
3031 Tisch Way, 100 Plaza East
San Jose, CA 95128
olsonp@alumni.usc.edu

In the November 2006 Harvard Business Review, Dr. McAfee\(^1\) identifies three worlds of Information Technology and notes the management of these "Worlds" varies. What does this mean for higher education? Results of discussions with administrators about this concept are reported. Emphasis is on strategic planning, organization and mentoring.

For higher education this problem is the result of two issues. The first is the noted "Three Worlds" of IT that Dr. McAfee presents in the Harvard Business Review, and the fact that each of these "Worlds" requires different management. The second issue is the aspect of higher education that last years Key Note Presenter at the Western Regional Educause Conference (Dr. William Robinson\(^2\)) published – that is Presidents know distressing little about IT and what to do with it. Given the combination of these two social aspects of IT - what is the impact on higher education? Additionally, how should IT best be managed in higher education?

This presentation will review these issues. In addition, it will report on a collection of public statements made by college and university administrators (Presidents, Provosts, CIOs, and CFOs) and their viewpoints expressed about this issue.

For this presentation the result will be the beginning of a generic set of operational concepts that could over time be standardized for the purpose of enhancing the management of IT in many colleges and universities.

In addition to the simple idea of finding better management, and particularly a better focus on strategic management of IT, the additional issue of the potential importance of IT to teaching and learning makes the management of IT an important focus at this time.

Investigating Learning Styles and Business Writing Performance: Group Dynamics Take Control Once Again

Joy L. Roach, Assistant Professor of Office Information Systems

Kay A. Durden, Professor of Information Systems

The University of Tennessee at Martin
Abstract

As the present body of literature has examined an enormous variation of learning styles, a standardized learning styles inventory was utilized in this study in an attempt to identify trends regarding which styles were conducive to greater performance in business writing. Students in an upper-level business communications course were grouped by learning style strength to complete a time constrained “simulation style” business report. Although findings suggest there is no difference in learning style and report performance, homogenous style groups, regardless of learning style composition, performed significantly better on three aspects, namely clarity, organization, and visual aids presentation, on the eight-point report evaluation. In addition, overall differences in skills by all students in specific report aspects came to light, revealing particular strengths and deficiencies. These deficiencies, such as the improper citation of secondary sources and the inappropriate presentation of quantitative data, may reveal possible topics for discussion by instructors upon the assignment of business report topics.
Introduction

Several recent studies have been completed concerning student learning style and performance regarding specific subjects of study, as well as learning styles and social tendencies, including working in groups. The determination of learning styles and performance has been examined by the experimental method, with suggestions for increased student learning in many postsecondary classrooms. Indeed, business subjects have been a recent focus, revealing several different conclusions.

Some studies completed in the last five years have found no relationships, while some have indicated stronger findings. Bacon (2004) found no relationship with learning style and learning in a marketing/consumer behavior course. Indeed, Zwanenberg, Wilkinson, and Anderson (2000) also had difficulty establishing any learning style relationships in business students overall. However, some relationships were found between collaboration on assignments, learning style, and performance in an operations management course (Hulya, 2005). In fact, some studies have examined learning styles and command of business subject material in the more quantitative disciplines, such as accounting (Duff, 2004). In an effort to delineate business subjects further, Loo (2002) took majors in both “soft” business disciplines and “hard” business disciplines and discovered that accounting students seemed to be of the “assimilator” learning style, but majors in areas such a management and marketing didn’t exhibit such noteworthy predispositions toward specific learning styles.

As these few aforementioned studies in the more quantitative areas of business, it may not be surprising that few studies have been completed on the possible linkages of learning styles and writing—particularly business writing. Sharp (1997) as well as Goby and Lewis (2000) did provide some recommendations for teachers on how to possibly reach those with known certain Kolb learning styles in the business communication classroom. Again referring to the previously mentioned Kolb learning style that tended to stand out, these studies particularly indicated that “assimilators,” or those students with a good ability to piece parts together as a whole, can produce good examples of complex business writing.

Although there is a shortage of studies regarding student learning styles and performance on business writing, much has been discussed concerning collaborative business writing in general. Collaborative business writing has been an important focus since at least the mid-1980s, as evidenced by the literature on the subject (Bacon, 1990; Bogert and Butt, 1990; Forman and Katsky, 1986; Nelson and Smith, 1990).

Therefore, the need was seen for a study to investigate learning styles in the scope of group dynamics in a business communications course. The study attempted to ascertain initial findings involving not purely those of certain learning styles only, but to ascertain any differences in several different aspect of business writing performance by similar versus dissimilar groups according to learning style.

Procedures

As a writing-intensive assignment of sufficient length for assessment was the target measurement for business writing performance, an assignment in a business communications course was chosen and students in the course (N=71) were the study’s
participants. Thus, students enrolled in the course were chosen and subsequently informed of their rights as human subjects. All 71 students enrolled in the Fall '06 semester of an upper-level business communication course in a small, AACSB-accredited public business program gave their consent to participate in the study. The students had been completing individual written assignments for the course over 12 weeks prior to the commencement of the study’s target assignment, which took the form of a quantifiable formal report. The assignment (included in Appendix A-1) asked students to investigate gender/wage issues and to give a report to a fictitious company using data provided by the instructor. To form students into groups for completion of the assignment, however, a measurement of each student’s learning style was first necessary.

**Team Formation**

In order to most accurately assess learning styles of each individual student, with permission of the authors, the Inventory of Learning Styles (ILS) (Soloman & Felder, 1996) was administered during the class period before students began the assignment. The ILS measures individuals on four aspects of learning style and therefore contains eight possible quadrants of style classification. The scales on the ILS were adapted predominantly from both Kolb’s learning styles and the Myers-Briggs Type Indictor (Felder & Spurlin, 2005). However, despite the completion of the entire instrument by students for reliability purposes, only one of the four aspects was deemed most relevant to the study. Therefore, students were measured on whether they displayed “referent” learning styles or “active” styles, which are adapted directly from Kolb, and how deeply they fell into each category. In the descriptions of the styles, “active learn by trying things out, enjoy working in groups, or reflective learn by thinking things through, prefer working alone or with a single familiar partner” (Felder & Spurlin, 2005, p. 103).

Students were randomly chosen inside learning style categories to form groups of four. All groups of students in the study had two “referent” learners and two “active” learners. However, homogenous teams had two “referent” learners and two “active” learners who were very weak members of these categories and were deemed very similar in learning style overall. Thus, those who scored a 1, 2, or 3 on strength of learning style on the instrument were grouped together. Moreover, heterogeneous teams were formed with two referent learners and two active learners, but those who represented strong learners of both categories (those who scored a strength of 4 through 11 on the learning style scale). More specifically, from the available sample of 71 students, there were 7 heterogeneous teams and 9 homogenous teams, with 7 “extra” students not involved in the study. Students were placed into these groups the moment just before the assessment activity began and had not worked with each other prior to that time.

**Assessment Administration**

All students taking part in the study had been briefed on proper business report writing procedures and reminded of proper hypothesis testing procedures for comparing means in order to complete the assignment. This briefing session had lasted about three class periods, representing 4.5 contact hours. Once teams were formed, the business communication report assignment was disbursed. Students had not been able to see the
assignment before beginning work on the project. Students were instructed to read the assignment stipulations and also to use the Microsoft Excel spreadsheet that accompanied the project, both as seen in Appendix A-1.

All students were housed in isolated computer labs solely for the purpose of completing the assignment. The assignment was timed and completed within two hours, with no exceptions. Students had been forewarned of the time limitation about a week prior to sitting for the assignment. Groups were not reassigned based on attendance. Groups that included students who came in late and the one group that had a computing disaster were disqualified from the study.

Findings

As the study attempted to assess report writing by group performance and absolute student performance as an entire class, performance was broken into eight characteristics of report writing, excluding the overall report score. It was interesting to note that there was no statistical correlation between gender and learning style nor gender and report scores of any kind.

The description of report characteristics, all graded on a scale of 4, with 4 as “excellent,” 3 as “good,” 2 as “fair”, and 1 as “poor” are more thoroughly described in the assessment rubric. The rubric used (included in Appendix A-2) contained descriptions of what constituted appropriate scores by each of the seven characteristics.

Report Performance by Group Composition

Mean scores (with 4 as the maximum) on report aspect quality as listed by group composition are in Table 1. Again, student teams consisted of four members, with 7 heterogeneous and 9 homogenous groups formed according to learning style. However, the aspects of report writing in which there was a statistically significance difference, as performed by independent samples t-tests by homogenous versus heterogeneous grouping, are denoted in Table 1. Stronger statistical differences were found in the overall report score, with the aspects of “clarity of material” as the major source of the difference. Also, statistical significance was found in the aspects of correct production and labeling of visual aids, and report organization (flow of topics/adequate transitions).
Table 1

<table>
<thead>
<tr>
<th>Report Category</th>
<th>Mean Quality by Group Composition</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Homogenous</td>
</tr>
<tr>
<td>Visual Aids</td>
<td>3.33*</td>
</tr>
<tr>
<td>Quantitative Information</td>
<td>3.11</td>
</tr>
<tr>
<td>Overall Report</td>
<td>3.08**</td>
</tr>
<tr>
<td>Creativity</td>
<td>2.89</td>
</tr>
<tr>
<td>Information Quality</td>
<td>2.78</td>
</tr>
<tr>
<td>Clarity of Material</td>
<td>3.00**</td>
</tr>
<tr>
<td>Organization</td>
<td>2.78*</td>
</tr>
<tr>
<td>Technical Quality</td>
<td>2.56</td>
</tr>
<tr>
<td>Secondary Sources</td>
<td>2.56</td>
</tr>
</tbody>
</table>

*Note.  *p<.05, **p<.01

As this was the first self-proclaimed attempt at a business report for most students, and all received the same lecture and development materials concerning proper report writing prior to commencement of work on the assignment, some inherent differences by learning style perhaps were relevant. In fact, data collected by respective student group members on other aspects besides report writing included English 101 and 102 course grades, Math 210 (Elementary Statistics and Probability) course grades, and four different ACT scores differentiated by subject specialty. Interestingly, “referent” learners were statistically significantly better than “active” learners on cumulative GPA (2.94 versus 3.20) and had better grades in the 200-level math course required of all business students (2.51 versus 3.00) as well as in English 102 (3.08 versus 3.42). There were no statistical differences between referent and active learners regarding overall ACT, ACT English, ACT reading, or ACT math scores.

Report Performance by Students Overall

Table 2, which is presented in chronological order from best aspects of report writing to those in need of most improvement of ALL students in the class, regardless of learning style polarity, performed well on visual aids presentation and the calculation of quantitative information. Quantitative information in the report assignment was constituted simply by the calculation of means and a descriptive, non-inferential comparison of means in order to give recommendations and conclusions for the report. The citation of secondary sources was seen as the worst aspect of all reports overall, with many sources incorrectly cited or even not cited at all, obviously a major issue in any writing. However, most report aspects were centered around a “fair” to
“average” score of 2.75 out of 4.0. However, the highest degree of variation was shown in quantitative information, with some groups (both heterogenous and homogenous statistically equally) obtaining incorrect results when calculating simple averages of wages for the instructor-provided report data. Also aspects with some variation were the proper flow in the body of the paper and the citation of secondary sources (stipulations of the report required the inclusion of at least four MLA or APA-cited secondary sources) as well as organization, both of which aspects overlap considerably.

Table 2

<table>
<thead>
<tr>
<th>Total Performance by Report Assessment Aspect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report Category</td>
</tr>
<tr>
<td>Visual Aids</td>
</tr>
<tr>
<td>Quantitative Information</td>
</tr>
<tr>
<td>Overall Report</td>
</tr>
<tr>
<td>Creativity</td>
</tr>
<tr>
<td>Information Quality</td>
</tr>
<tr>
<td>Clarity of Material</td>
</tr>
<tr>
<td>Organization</td>
</tr>
<tr>
<td>Technical Quality</td>
</tr>
<tr>
<td>Secondary Sources</td>
</tr>
</tbody>
</table>

Also, in an effort to determine overall student strengths irrespective of degree of strength of learning style, which might have a bearing on the student strengths and weaknesses shown in Table 2, some differences were ascertained. Indeed, paired samples t-tests showed that students were overall statistically better on the English ACT (average score=21.76) than the Math ACT (20.72). Differences also came to light on English ACT and Reading ACT (22.19). Also, obviously, mean ACT reading scores were much higher than ACT math scores. As far as course grades, all students performed significantly better in English 102 (3.19 GPA) than in Math 210 (2.68).

Conclusions and Recommendations

The seemingly most important finding, namely that those groups composed of like learning styles (homogeneous) performed better overall on the written assessment than those with two members of each learning style, may be attributable to several factors. As all groups were formed the day the assessment began, those with like learning styles might have also had similar personalities; therefore there were simply less social hurdles to overcome in the face of a two-hour assessment assignment. However, it would have perhaps been thought that those in the heterogeneous groups of referent and active learners might have been able to use diversity to come up with more creative ideas for the report or at least had tasks divided more suitable to their strengths.
Also, with the supplemental data in the form of the superior performance of referent learners in the grades from the other courses in English and math, it might have been hypothesized that those groups with two of strong referent status might have done better on the assignment overall than homogenous teams. However, again, the findings indeed supported the fact that groups composed of like members did better than the diverse groups. Nonetheless, upon observation, all groups seemed to have a kind of division of labor worked out in order to get the projects completed; and seemed, at least to the impartial observer, to work well together.

The outperformance of homogenous groups on the aspects of visual aids, report organization, and clarity of material points to a higher level in the homogenous groups to write well. These three characteristics, as seen from the rubric in Appendix A-2, most directly involved a level of thoroughness. Stipulations for the creation of visual aids included not only that the data presented make sense but that all axes were labeled and all necessary captions be included. Obviously, clarity of material in the report and organization included writing flow, thoroughness, and linkages between sections and paragraphs with a minimum of abrupt shifts in composition without transitions.

More studies should be attempted in order to form more concrete conclusions regarding group dynamics, learning styles, and business writing. However, more applicable recommendations can be made from the class’ overall performance on the report, regardless of group membership or learning style. As shown in the previous Table 2, the making of visual aids, a task usually observed to be given to one member of the group to complete, seemed to be a strength of students. However, as homogenous groups performed very well on this aspect, it is noted those scores greatly helped the class average as a whole.

Quantitative information, creativity, and information quality seemed to be satisfactory according to the report evaluation. However, regardless of group, many students had problems with the aspects of secondary sources, technical quality (including writing mechanics such as punctuation and grammar), as well as organization (mostly not transitioning well between paragraphs and sections of the report). These subjects seem to be confirmed by instructors of business communication to be aspects which need development in novice report writing. In this case, although students were advised to use either MLA or APA format for citations, many bore no semblance to either method. Also, many “questionable” sources also seemed to be well represented, including stand-alone webpages and Wikipedia. Further development could be seen in transitioning from section to section in the report as well as the usual business communication foibles of lack of proofreading. Lastly, students showed a particular affinity to use personal pronouns in the writing of the formal report despite a concentration in instruction prior to commencement of the assignment on a formal tone for report writing.

Limitations and Delimitations

One delimitation to the study included the fact that the measured assessment was performed by students in the span of two hours. It was seen that this time constraint was acceptable for completion of the project by groups of four in this time; however, since students had not previously worked with each other, it may have taken more time for all nuances of the learning styles to manifest themselves. Also, limitations for
generalizability obviously includes that all students were at the same university and most had been housed for the past two years in the same business program. The program curriculum at the university may have at least influenced how the students were seen to have done overall on the report. There could be a particular tendency to have certain requirements of writing of papers in the course’s prerequisite courses in order to prepare (or underprepare) students for such an assignment.
References


You are an HR manager for Barnes Industries, a manufacturer of lawnmowers, which has two large plants. One plant is located in the greater St. Louis area, and the other is in Nashville, Tennessee. Over the past year, employees at Barnes Industries have complained that gender wage discrimination exists in the plants.

Cliff Barnes, the company president, has asked you to investigate these claims by analyzing employee wages by relevant demographic information. He expects recommendations from you to guide his response to these complaints.

**Solution:** The human resources offices of the two plants have provided you with data from an appropriate random sample of 30 employees in each plant. You will analyze the wage data in order to provide findings, conclusions, and recommendations to the company president via your report.

You will also search for secondary sources to provide credibility to your report (i.e. provide assurance that you have reviewed comparable situations and are well versed in the relevant legislative environment). At least four secondary references must be cited in the report; also, a minimum of two appropriate visual aids should be included. Use the in-text method for citing your secondary sources. The preferred citation format is MLA, but APA is also acceptable. Choose appropriate headings for the body of the report; also, use the following outline:

I. Title Page
II. Executive Summary
III. Table of Contents
IV. Introduction and Problem Statement
V. Procedures
VI. Findings
VII. Summary, Conclusions, and Recommendations
VIII. References
IX. Appendix
Accompanying Excel Data for Report

Random sample of 60 line employees (30 from each plant) with 3 years of service.

<table>
<thead>
<tr>
<th>Plant Site (1=Missouri)</th>
<th>Gender</th>
<th>Current Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>M</td>
<td>$7.30</td>
</tr>
<tr>
<td>1</td>
<td>M</td>
<td>$7.38</td>
</tr>
<tr>
<td>1</td>
<td>M</td>
<td>$7.82</td>
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<td>1</td>
<td>M</td>
<td>$7.33</td>
</tr>
<tr>
<td>1</td>
<td>M</td>
<td>$7.48</td>
</tr>
<tr>
<td>2</td>
<td>M</td>
<td>$7.90</td>
</tr>
<tr>
<td>1</td>
<td>F</td>
<td>$7.54</td>
</tr>
<tr>
<td>1</td>
<td>F</td>
<td>$7.53</td>
</tr>
<tr>
<td>1</td>
<td>F</td>
<td>$7.42</td>
</tr>
<tr>
<td>1</td>
<td>M</td>
<td>$7.62</td>
</tr>
<tr>
<td>1</td>
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<tr>
<td>1</td>
<td>M</td>
<td>$7.79</td>
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<tr>
<td>2</td>
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<td>$7.97</td>
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<tr>
<td>2</td>
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</tr>
<tr>
<td>2</td>
<td>M</td>
<td>$7.91</td>
</tr>
<tr>
<td>2</td>
<td>F</td>
<td>$7.64</td>
</tr>
<tr>
<td>2</td>
<td>F</td>
<td>$7.42</td>
</tr>
<tr>
<td>2</td>
<td>F</td>
<td>$7.67</td>
</tr>
<tr>
<td>1</td>
<td>M</td>
<td>$7.96</td>
</tr>
<tr>
<td>1</td>
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<td>$7.91</td>
</tr>
<tr>
<td>1</td>
<td>M</td>
<td>$7.53</td>
</tr>
<tr>
<td>2</td>
<td>F</td>
<td>$7.85</td>
</tr>
<tr>
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<td>M</td>
<td>$7.45</td>
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<tr>
<td>1</td>
<td>F</td>
<td>$7.42</td>
</tr>
<tr>
<td>1</td>
<td>F</td>
<td>$7.37</td>
</tr>
<tr>
<td>1</td>
<td>F</td>
<td>$7.64</td>
</tr>
<tr>
<td>1</td>
<td>F</td>
<td>$7.57</td>
</tr>
</tbody>
</table>
Report Quality Evaluation Form

Subject #: _____  Group#: ______  4 = EXCELLENT, 3 = GOOD, 2 = FAIR, 1 = POOR

**CLARITY OF MATERIAL**

<table>
<thead>
<tr>
<th></th>
<th>EXCELLENT</th>
<th>GOOD</th>
<th>FAIR</th>
<th>POOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material completely clear and understandable</td>
<td>Most of material clear; a few points of confusion</td>
<td>About half the material was clear</td>
<td>A few points understandable; major confusion</td>
<td></td>
</tr>
</tbody>
</table>

**CREATIVITY**

<table>
<thead>
<tr>
<th></th>
<th>EXCELLENT</th>
<th>GOOD</th>
<th>FAIR</th>
<th>POOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Methods or information interesting</td>
<td>Interesting most of the time; boring in a few places</td>
<td>Interesting about half the time</td>
<td>A few points of interest</td>
<td></td>
</tr>
</tbody>
</table>

**CONTENT / INFORMATION QUALITY**

<table>
<thead>
<tr>
<th></th>
<th>EXCELLENT</th>
<th>GOOD</th>
<th>FAIR</th>
<th>POOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevant content throughout; detailed information; all necessary information present</td>
<td>Relevant content overall; adequate detail; most necessary information present</td>
<td>Mostly irrelevant content; needs more detail; most necessary information is absent</td>
<td>Much irrelevant content; detail is lacking; almost all necessary information is absent</td>
<td></td>
</tr>
</tbody>
</table>

**ORGANIZATION**

<table>
<thead>
<tr>
<th></th>
<th>EXCELLENT</th>
<th>GOOD</th>
<th>FAIR</th>
<th>POOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flowed well; topics connected; orderly transitions</td>
<td>Flowed well; topics connected; transitions rough</td>
<td>Topics not always connected; some jumping around</td>
<td>Topics did not flow or hang together; much jumping around</td>
<td></td>
</tr>
</tbody>
</table>

**SECONDARY SOURCES**

<table>
<thead>
<tr>
<th></th>
<th>EXCELLENT</th>
<th>GOOD</th>
<th>FAIR</th>
<th>POOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriate number of sources present, relevant, and cited correctly</td>
<td>Sources mostly relevant and mostly cited correctly</td>
<td>Some sources irrelevant and/or cited incorrectly</td>
<td>Mostly sources irrelevant and/or cited incorrectly</td>
<td></td>
</tr>
</tbody>
</table>

**TECHNICAL QUALITY**

<table>
<thead>
<tr>
<th></th>
<th>EXCELLENT</th>
<th>GOOD</th>
<th>FAIR</th>
<th>POOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>No mistakes to two grammatical/punctuation/spelling mistakes</td>
<td>Three to four grammatical/punctuation/spelling mistakes</td>
<td>Five to six grammatical/punctuation/spelling mistakes</td>
<td>More than six grammatical/punctuation/spelling mistakes</td>
<td></td>
</tr>
</tbody>
</table>

**QUANTITATIVE INFORMATION**

<table>
<thead>
<tr>
<th></th>
<th>EXCELLENT</th>
<th>GOOD</th>
<th>FAIR</th>
<th>POOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>All numerical data correct and relevant</td>
<td>Most numerical data correct and relevant</td>
<td>Some numerical data correct, but most are wrong or irrelevant</td>
<td>Numerical data wrong and/or irrelevant</td>
<td></td>
</tr>
</tbody>
</table>

**VISUAL AIDS**

<table>
<thead>
<tr>
<th></th>
<th>EXCELLENT</th>
<th>GOOD</th>
<th>FAIR</th>
<th>POOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>All visual aids appropriate and well presented</td>
<td>Most visual aids appropriate and well presented</td>
<td>Some visual aids inappropriate and/or some irrelevant</td>
<td>Most visual aids inappropriate and/or many irrelevant</td>
<td></td>
</tr>
</tbody>
</table>

**COMMENTS:**

**TOTAL MEAN SCORE:** _________
Online Education as a Disruptive Technology: A Theoretical Perspective
R. Heath Keller
Southern Illinois University - Carbondale

ABSTRACT
The effects of technological change on industries, organizations, and individuals are far-reaching and extensive. However, the traditional structure of the higher education industry has created an extremely stable environment that has allowed traditional institutions of higher education to remain relatively immune to the consequences of competitive technological change. This paper argues that the emergence of internet-delivered distance education is creating a disruption in certain segments of the traditional higher education market. A contingency theory is presented that describes organization, market, and product conditions that make certain areas of the institution susceptible to disruption. This offers a different perspective from the stream of technological change literature that contends innovations are either disruptive or not. This theory is unique in that it links streams of literature in technological change, organizational theory, and higher education. Situations in which internet delivered academic degree programs may enhance the competencies of the traditional university as well as situations in which such competencies may be disrupted are analyzed and discussed.
Abstract

For nearly a half-century, educators have recognized the need to teach ethics in computer courses. However, textbooks and authors have not kept up with the need to explore current ethical issues that seem to arise weekly in the fast-paced IT environment. This article advocates the use of formal debates in the classroom to expose students to up-to-date topics and legal issues. The format, set-up, grading, and benefits of using a modified Lincoln-Douglas debate to increase student awareness of topics and ethical issues are discussed.
Abstract

For nearly a half-century, educators have recognized the need to teach ethics in computer courses. However, textbooks and authors have not kept up with the need to explore current ethical issues that seem to arise weekly in the fast-paced IT environment. This article advocates the use of formal debates in the classroom to expose students to up-to-date topics and legal issues. The format, set-up, grading, and benefits of using a modified Lincoln-Douglas debate to increase student awareness of topics and ethical issues are discussed.

Introduction

As soon as someone mentions the words “business” and “ethics” in the same sentence, several names come to mind: Enron, Arthur-Anderson, WorldCom, and Parmalat to mention just a few. More recently, scandals involving corporate spying have surfaced, with the two most current players being Wal-Mart and Hewlett-Packard. While the former list of organizations have implications for broader business, the latter are of specific interest to students and faculty in the field of Management Information Systems (MIS).

While Wal-Mart and HP are freshest in our minds, other less publicized scandals involving technology have also been reported. For example, CityWatcher.com caused an uproar when it implanted microchips in its employees; Sony BMG Music Entertainment supposedly added antitheft software on their CDs – which turned out to be spyware; and Denver’s e-voting machine certification problems. These are just a few technology scandals involving prominent organizations.

However, unscrupulous practices involving information technology is not limited to businesses. The unethical use of computers and technology has been around as long as computers. It seems that the more sophisticated the technology becomes, the more sophisticated the fraudulent uses become. Some of the unethical uses may be illegal, such as hacking into computer systems, stealing company secrets, or phishing. While others are simply unprincipled, using company technology resources and time to shop on eBay or write personal e-mail.

In addition to simple ethics, technology-based legal issues seem to appear weekly as well as congressional bills dealing with some of these issues. The Internet Library of Law and Court Decisions, sponsored by Phillips Nizer LLP lists 84 topics dealing with Internet and technology law. While the Center for Democracy and Technology’s website discusses 56 different congressional bills concerning technology that have been submitted since 1997.

Fifteen years ago, when one of the co-authors was a Chief Information Officer in the financial industry, the main concerns were computer hacking and software piracy. In those days, the “10 Commandments of Computer Usage” and Mason’s PAPA framework was more than sufficient ethical guidelines for students in the infant field of MIS.

Who could foresee the Internet, implanted computer chips, and GPS for purposes of tracking friends? Yet, the use of social mapping, on-line dating services, video copyright infringement, predators using social networking sites, digital music theft, libel, and trademark violations are only a few of the topics that are currently before U.S. courts.

During the last 10 years, only 5 of 56 technology bills were passed by Congress. The U.S. Supreme Court will see an increase in the number of Internet and technology based suits. The law is having a hard time keeping pace with the incredible growth in technology and its uses.

Thus, ethics has become an important issue in the curriculum of MIS programs. In 2004, AACSB called for business schools “to demonstrate a commitment to teaching ethical behavior
throughout their academic programs.” Crane (2004) also determined that students felt a need for ethics education as well; and Shinn (2006) stresses the same issue.

Obviously, the need for business ethics courses have been recognized for some time, but the need for IT ethics was recognized almost immediately. Jones (1960) touched on the topic; but as early as 1978, Owen realized the potential of the misuse of new technology. He opened his article on teaching technology ethics with:

> Scientific and technological advances in the communications field, now operating in our daily lives, have catapulted the American people, its businesses, and its other institutions into the strange new world of “real-time” information. Computers, interesting toys just a few years ago, now make possible data banks capable of retrieving, sorting, storing, and providing anyone instantly with all known information about any person or organization. The development of telephone and similar communication has reached a mature sophistication. Newspapers, magazines, radio, and television can, in today’s world of “freedom of information,” “full disclosure,” and similar laws are public policies, dig out and publicize critical information about any person or organization. In any 24 hour period, any person or organization can easily be “made ready,” and the information fully developed (usually with entertaining and dramatic impact), for the 6:00 o’clock news. It happens every night on television, every day in the newspapers, and every week or month in magazines.

Unfortunately, the development of IT ethics has been sluggish. It was not until 1986 that Mason developed the first standard of IT ethics – the PAPA framework of privacy, accuracy, property, and accessibility. It took another six years until the *10 Commandments of Computer Ethics* was created by the Computer Ethics Institute (1992). Banerjee, Cronan, and Jones proposed adding an ethics section in business classes for future IT professionals in 1998. Kidder (2005) proposed the same thing seven years later.

Yet, many MIS courses cover ethics in only one chapter. The chapter in the book we use discusses social issues and some ethical theories. It also includes the two old standbys that have been taught since computer ethics became a subject of interest: The *10 Commandments of Computer Ethics* (1992) and Mason’s (1986) PAPA framework. These seem woefully inadequate in a time where new technology, new ethical dilemmas, and new scandals appear almost weekly.

How then can we, as MIS faculty, emphasize IT ethics without it becoming a dry lecture that students will memorize only long enough to take a test? How do we get them to think about ethics with respect to topics that are in the news today, but the students may not affected until they are CIOs themselves? How do we get them to look at all sides of an ethical dilemma and choose a side?

The authors propose that this can be done by engaging students in ethical debates, which cover current events.

### Debates in the Classroom

The art of debate is an old one. Political leaders and elected officials have been using them for centuries. So have educators: in the late 7th century BC, Thales the Milesian, a pre-
Socratarian philosopher, was using debates with his students as a tool for examining their own philosophical ideas.

One of the great benefits of using formal debates is that it helps teach both reflective and critical thinking skills though the analysis of a specific situation (Greene & Hicks, 2005). While the appropriateness of having students argue a side in which they do not believe has been questioned (e.g., Murphy, 1957; Murphy, 1963), the consensus is that for educational purposes, debating both sides of an issue is acceptable (e.g., Baird, 1955; Muir, 1993). The analysis of both pros and cons leads to open-mindedness and tolerance. It also strengthens the ability to test and digest information and evidence. It allows the students the ability to understand the weaknesses and strengths of both sides; and if warranted, change the debater’s position on the topic (Muir, 1993).

Thus, having MIS students argue both sides of a current topic, both the positive and negative impacts of an issue, allows them to develop critical thinking skills that will be needed in their fast-paced lives as IT professionals.

**Format**

The initial set-up of the debates takes a bit of time; however, once the instructor is satisfied with the way things are running, it takes little time to maintain.

When instructors have decided to use debates in the classroom the first thing they must determine is the style or type of debate to employ. There are many different styles of formal or tournament debate. Since our purpose is to discuss and explore the topic, and not to teach students the minutiae of debate rules, we have adopted a modified Lincoln-Douglas or Oxford debate style.

Formal or tournament debate rules generally provide relatively long speaking times. We are more interested in the introduction of arguments and counter-arguments than we are in the speaker’s eloquence. We have limited class time, which must include a discussion period following the debate. Therefore, we employ shorter speaking times than those advocated in tournament debate.

The following table indicates the format and timing we use:

<table>
<thead>
<tr>
<th>Round</th>
<th>Time Allowed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pro Introduction</td>
<td>2 minutes</td>
</tr>
<tr>
<td>Con Introduction</td>
<td>2 minutes</td>
</tr>
<tr>
<td>Pro Argument</td>
<td>3 minutes</td>
</tr>
<tr>
<td>Con Rebuttal</td>
<td>2 minutes</td>
</tr>
<tr>
<td>Pro Argument</td>
<td>3 minutes</td>
</tr>
<tr>
<td>Con Rebuttal</td>
<td>2 minutes</td>
</tr>
<tr>
<td>Con Argument</td>
<td>3 minutes</td>
</tr>
<tr>
<td>Pro Rebuttal</td>
<td>2 minutes</td>
</tr>
<tr>
<td>Con Argument</td>
<td>3 minutes</td>
</tr>
<tr>
<td>Pro Closing</td>
<td>2 minutes</td>
</tr>
<tr>
<td>Pro Rebuttal</td>
<td>3 minutes</td>
</tr>
</tbody>
</table>

Table 1: Debate Rounds and Timing

**Teams**
It is up to the instructor to determine how many students are on a team. We have found that using two or three students per team is ideal; however, this is primarily determined by the number of students and how much time we want to devote to the debates during the semester. In some larger classes, we have had each team debate only once, so an even number of teams must be assigned. In smaller classes, however, we have each of the team’s debate each of the other teams, in which case the number of teams does not matter.

In order to create some fun and buy-in, we usually have the students come up with names for their teams. We have had some very creative entries: “M3” (three students named Mike), “Eat Our Dust” (a team that was sure they were going to win); and “THE Debaters” (another sure fire winner!). Often we have had names that resembled sports teams (such as “The Wolverines,” “Tigers,” and “Beavers”) or names meant to inspire fear in the other teams (e.g., “Killer Team,” “The Monsters,” and “We’re Number One”).

The instructor must decide whether students choose their own teams or if the instructor will assign the teams. We have done both and found either to be acceptable.

Scheduling

Probably the most difficult of the set-up procedures is determining the schedule of debates. We have found through the years, that the debate itself takes about 20 minutes; however, the discussion period afterward may take as long as the instructor wishes. Sometimes a particularly hot topic will spark quite a bit of discussion and, in a few instances, we have used an entire 90-minute class.

Since the research for a debate can be quite extensive, we try not to have a debate every week. However, in the case of larger classes, shorter semesters, or fewer classes per week, the number of teams may demand it. The table below shows an example of how we work with a smaller group. In this case, we had 12 students in the class, so each team had three members. Additionally, we had a “play-off” round between the two top scoring teams.

<table>
<thead>
<tr>
<th>Team 1 vs. Team 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Team 3 vs. Team 4</td>
</tr>
<tr>
<td>Team 1 vs. Team 3</td>
</tr>
<tr>
<td>Team 2 vs. Team 4</td>
</tr>
<tr>
<td>Team 1 vs. Team 4</td>
</tr>
<tr>
<td>Team 2 vs. Team 3</td>
</tr>
<tr>
<td>Winner 1 vs. Winner 2</td>
</tr>
</tbody>
</table>

Table 2: Round Robin Schedule

We set up the grading for the Round Robin schedule so that the highest grade of all the debates was the one received, and the others were prorated as extra credit.

Grading

The next thing the instructor needs to decide is how to grade the debates. We have decided that the most important elements of the debate, in our classes, are the completeness and supportability of the arguments. We do not strictly adhere to the format, however we do consider whether the format was followed. We grade each round of the debate round using a 1 through 5

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2 The only formal debate rule we strictly enforce is defining the topic. For example, the pro side may define “Internet voting” as “Voting on-line, using the Internet, at specified polling places” or “Using either the Internet,
scale, with 5 being the highest. We often use partial credit – for example, 3.5 may be used. The
total of all debate rounds is the final grade. Using our format, that makes the debate worth 30
points for each team (6 rounds x 5 maximum points).

In some classes, we have asked for documentation of the debate research. Generally,
these are not in a formalized format: notebooks with printed Web information; quotes and
citations typed out; and all or part of newspaper or journal articles organized by major arguments
seem to be the preferred method of the students’. We then grade the quality and quantity of these
supporting documents. In the cases where we have asked for documentation, we use a 20-point
scale, bringing the total possible grade to 50.³

When we use a round-robin series of debates, the highest grade of all the debates was the
one given to the students, and the others were given as extra credit. However, it would be equally
appropriate to grade each debate. The instructor must consider the fact that the debates have a
tendency to get better during the semester as the teams become more familiar with the debate
format, how to do the research, peer influence, and to articulate their positions clearly.

Winning
Grades for the debate and winning the debate may not be the same thing, so the instructor
must determine who the “winner” is. There are several ways this may be handled: the winners
may be determined by the grade they earn, student scoring, some combination of the two, or any
other way the instructor determines to be fair and practical. In our debates, the winners are
determined strictly by student scoring. Students are given the same score sheet as the instructor.
Students are asked to score each round of the debate on the same scale as the instructor. Students
are asked to turn in their anonymous score sheets (with comments or constructive criticism).
These scores are then tallied. The winner is the team with the highest grand total.

In a round robin format, we have chosen to use extra credit rather than grades. Once the
final regular debate has taken place, we tally all debate scores and announce the two teams with
the highest overall standing. These two teams then debate each other. This has two benefits if the
teams are competing for extra credit: they will try to win earlier debates in order to earn another
chance for a higher grade or extra credit, and a healthy competition develops between the teams.
The winner of the final debate becomes the “Class Champion.” In some classes, we have
awarded the winner with small inexpensive trophies and pictures of the winning team.

In one instance, we used debates in both of our IT capstone classes. At that point, we had
both of the class champions play each other – once in each class. The winner of that debate was
then crowned “Department Champion.” In this case, the students sat in on debates during other
classes to, as one student put it, “scope out the competition.” With good student buy-in, cross-
class debates can be quite effective.

Debate topics
We always state our topic as a statement (rather than a resolution as is done in formal
debate tournaments). This seems to eliminate confusion for the students as to which side
(proponent or opponent) they are arguing.

As mentioned earlier in the paper, it is ridiculously, and unfortunately, easy to find up-to-
the-minute ethical IT topics; all the instructor has to do is keep up with current events on the
news or in the newspaper.

³ Our grading sheet is shown in Appendix A
In the current semester, our students have debated some of the following topics pulled from the headlines:

- Social networking sites (such as MySpace) are responsible for the safety of their underage users.
- Blogs are held to the same libel standards as newspapers.
- Social networking sites (such as MySpace) are responsible for user violation of copyright laws.
- Businesses have the right to investigate potential employees using the Internet (for example, MySpace, Yahoo! 360º, or search engines).

We also have some stand-by topics that are always good for an inspiring debate. Some of the ones we use are:

- Internet voting will be used in National, State, and Local Elections
- Business may monitor employee email
- The U.S. Government has the right to monitor and restrict Web content

Another issue that must be considered is when to give the teams the topic. While we want the students to do a good job researching, we do not want to give any advantage to teams that present later in the semester. After trying several different scenarios, we have found the one that works best is to give the topic one week before the debate. This gives the students ample time to research the issue, without giving them so much time that they become overloaded with information.

**Choosing Sides**

The purpose of the debates is to present both sides of the topic and to have the students be familiar with both sides. Therefore, we do not announce which side (pro or con) the team will be debating until five to ten minutes before the debate takes place.

In our class, we do a coin toss and have one of the “team captains” call the toss in the air. The winning captain then selects which side the team will represent. At that time, we give the teams a few minutes to determine their strategy.

**Debriefing**

Once the debates are finished and while scores are being calculated (we use a student volunteer to do this chore), the instructor should lead a discussion with all students. We always discuss how the students feel about the topic – the ethical ramifications, how they would handle the affair in the work place, and what laws (if any) need to be enacted to govern the situation. We often bring up salient points that are in contrast to the class consensus as a means of further discussion. Additionally, we may ask some “what-if” questions to encourage discussion of ethics in specific situations. Early in the debate schedule, we also discuss the difficulties the students often have in arguing the side of an issue in which they do not believe.

As stated earlier, the debriefing and discussion time may be short – this usually happens when the students are in general agreement about the issue – or fairly long and involved – usually the result of new, hot-button topics. Ultimately, it is up to the instructor to determine how much time to spend in the debriefing period.

**Student Reactions**

Students enjoy debating. We have been told that debating allows students to learn to “speak publicly in short bursts” and is not as “traumatic as making a formal presentation.” Yet,
we have found that students who have been involved in debates during the semester are, actually, more comfortable making formal presentations. We have had several students express disappointment when they had been involved in debates in one class, the same instructor was not going to use debates in a subsequent class.

Students generally express interest in topics about which they had no prior knowledge or experience. Often, current topics will spur a heated discussion during the debriefing period. After the debate regarding social networking sites’ responsibility to underage users, we had quite a spirited conversation regarding parental accountability for their children’s use of the Internet.

Discussion

The authors have presented a way to allow students to learn critical thinking skills, use strategy planning, and make arguments without rancor using debates in the classroom. While we have only used debates in our IT capstone course, any class that introduces, applies, or tests ethical or legal themes may benefit from using debates. Business law, business ethics, business and the environment, human resources, strategy and policy, and business and society classes would be especially appropriate venues. We are planning to use debates in an MIS course, which is in our academic foundations program, as well as in our Business Law classes in upcoming semesters.

The format, style, and grading issues discussed above are only one example of how debates may be used in the classroom. Remember, that it is more important that the debates be held in a manner that is comfortable for both the instructor and the students.

Debates in the IT classroom are relatively simple to set-up and design. They allow students to explore and learn the value of both sides of an argument, create open-mindedness, and encourage students to express themselves logically. Topics used in the debates also expose students to current issues in IT, which may someday affect their jobs as future CIOs.
Bibliography


Appendix A
Debate Scoring & Grading Sheet

TOPIC: ________________________________

Pro Team: ________________________________

Con Team: ________________________________

<table>
<thead>
<tr>
<th>PRO</th>
<th>CON</th>
<th>TIMING</th>
<th>SCORE 1(low) – 5 (high)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>2 minutes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Introduction</td>
<td>2 minutes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Argument</td>
<td>3 minutes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rebuttal</td>
<td>2 minutes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Argument</td>
<td>3 minutes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rebuttal</td>
<td>2 minutes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Argument</td>
<td>3 minutes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rebuttal</td>
<td>2 minutes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Argument</td>
<td>3 minutes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Closing</td>
<td>3 minutes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Closing</td>
<td>3 minutes</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

DEBATE TOTALS

DOCUMENTATION POINTS

FINAL GRADE

Comments and Notes: ________________________________

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ABSTRACT

In recent months, oil price estimates have been fluctuating greatly. Some companies use hedging strategies to manage the risk of fuel prices. According to a Business Week article, one airline had higher fuel costs than several others because they had locked in fuel prices early (Coy, 2007). According to the article, one company simply decided that oil prices could end up almost anywhere, and that trying to make predictions at the time would be useless because of both the uncertainty and also the changing possibilities for forecasts at that time. (Coy, 2007)

The purpose of this presentation is to raise a question. During times where there is so much uncertainty about both the magnitude and direction of volatility, should companies who make use of hedging consider adding a contra-hedge position? The contra-hedge would be a small, long position that offsets the main hedging position. Contra-hedges need to be long positions composed of options so that the holder of a contra-hedge cannot be exercised against; if a contra-hedge could result in a company being forced to supply goods or purchase goods that they do not normally use, this would create additional, unnecessary expense. The purpose of the contra-hedge would be to provide a small, offsetting profit if the main hedging position were to result in higher expenses of the item hedged (in the previous paragraph this would be fuel). In the event that the main hedge results in cost savings, the contra-hedge would expire worthless as an additional expense.

In periods of where uncertainty about price risk is less extreme, there would be no need for contra-hedges. However, when these rare circumstances occur, should companies who hedge their price risk consider adding a contra-hedge position?

REFERENCES

“Strategic Management and Systems Thinking”

Susanna Bauder, MBA
Financial Analyst
Department of Financial Reporting
Humana Corporation
Louisville, KY

Kathleen Voelker, MBA
Consultant
Adjunct Instructor
School of Business
Indiana University Southeast

and

Jonathon S. Rakich, Ph.D.*
Professor of Management
School of Business
Indiana University Southeast
4201 Grant Line Road
New Albany, IN 47150
Phone (812) 246-4505
Email jrakich@ius.edu

Submitted: May 7, 2007

* Author for correspondence is Jonathon S. Rakich, jrakich@ius.edu

“Strategic Management and Systems Thinking”

Abstract

The evolution of corporate strategic management is presented. In its embryonic form various disconnected tools were used by management such as the Product-Market-Growth Matrix and Product Life Cycle. Within the past 30 years framework models have been developed to assist firms in developing strategies to achieve objectives. Among them are Porter’s five forces model, Ackoff’s systems theory, the resource-based view of the firm, and the articulation of competitive advantage. In this paper we describe and augment them by elaborating on systems thinking; specifically the application of causal
loop diagrams and mind mapping, leading to the development of our Strategic Management Mind Map Model.

Introduction

Strategic management is a process used to identify, describe, evaluate, and ultimately choose strategies intended to generate superior performance and a sustainable competitive advantage. In order for a company to succeed, its strategy must be appropriate for its resources, objectives and business environment. Many organizations, profit and nonprofit, could benefit from improving their strategic management processes. There are various frameworks and models to help management assess the company’s resources and environment. However, the drawback of a model is that it is just a model. It is a hypothetical description of a complex business environment; it shows a simplified picture of the reality in which the company operates. Various management models have been developed in the past 60 years and each takes a different approach to depict one perspective of the business environment. However, no model can reflect all aspects of business or it would lose the most important aspect of a model: simplicity. So managers face the dilemma of choosing a suitable model to determine their business strategy.

In this paper, we describe how the field of strategic management developed and some of the models it produced. We will then explain why a single model may not be enough to analyze a company’s business environment and how strategies may be more successful if systems thinking is applied in the strategic management process. To achieve this goal, we propose to combine two widely accepted strategic management models with a popular systems thinking tool. The result is the Strategic Management Mind Map.

The Development of Strategic Management

Strategic management is a relatively young field of study. Prior to 1970, companies did not have a systematic or explicit approach to strategic management. Most businesses had implicit strategies that evolved like a byproduct over time. An explicit competitive strategy, created from thinking and planning processes, was not thought necessary and there was no economic need to create one. The postwar years from 1945 to 1970 were a period of stable growth and the American economy was strong and healthy. Competition was tame and companies focused on revenue growth and expansion.1

The need for a structured strategic planning process arose in the early seventies. At that time, the competitive environment for companies changed rather dramatically. Years of domestic spending during the 60’s and 70’s on the Vietnam war, the Great Society and the Apollo space program and the energy crisis in the 1970’s changed a strong economy into a period of stagflation. High oil prices, high inflation and high unemployment rates caused interest rates to soar, and on December 19, 1980 the prime rate reached 21.5%.2 Companies were forced to raise prices to cover high energy and financing costs.

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1 http://www.themanager.org/Resources/Managementmodels.htm
Objectives included survival and profitability along with revenue growth. Thus, in order to survive, companies had to engage in a focused competitive behavior and find ways to distinguish themselves from their rivals.

At the time, companies used a variety of management models and tools such as Ansoff’s Product-Market Growth matrix which was developed in 1957, the Product Life Cycle model developed in 1965, or the Boston Consulting Group Growth-Share matrix developed in 1970 (see appendix A) to map out a product strategy. As early as the 1960s, Pierre Wack (Shell) and Herman Kahn (Hudson Institute) were working with scenario planning which was rooted in systems thinking. This technique did not become well known until the late 1980s. There was, however, no framework or model to systematically and explicitly determine a business strategy. In one fashion or another, companies had implicit strategies which lacked the focus of a planned and well-defined strategy. Current operational issues instead of planned visions directed a company’s course. Businesses needed a more rigorous approach to strategy. Michael Porter, a business economics scholar at Harvard, provided it when he developed his five forces model in 1979 (see appendix B for diagram).

**Outside-In.** For the first time, managers had a tool that allowed them to meaningfully analyze their company’s position among competitors, assess the various forces within a given industry and determine the firm’s competitive position. Based on the analysis, management could then decide what strategy to adopt in order to maximize profit and attain/maintain a competitive advantage. In his book “Competitive Strategy” Michael Porter described three generic competitive strategies that could be used to attain a competitive advantage: cost leadership, differentiation and focus. Porter’s work thus provided an “outside-in” view of strategy formulation. In 1985, he published “Competitive Advantage” in which he introduced the concept of the corporate value chain (see Appendix B).

Michael Porter’s research and writings in the field of strategic management are considered to be the most influential. His book “Competitive Strategy”, published in 1980, caused a paradigm shift in the field. His five forces framework uses economic theory as a dependent and the industry as a unit of analysis (Barney, 2002, p.54). It considers the external environment of the company and focuses on threats and opportunities. Porter’s five forces view continues to be one of strategic management’s two major paradigms used to explain superior performance and competitive advantage. The other major paradigm is the resource- based view (RBV).

**Inside-Out.** In the 1990’s the resource-based view came into favor. It focuses on the internal aspects, the strengths and weaknesses, of the company. RBV is a tool used to first identify a firm’s potential key resources and then to determine if these resources are valuable (in terms of achieving objectives), rare, hard to imitate and not easily substitutable. Resources with these characteristics are strategically relevant and as such can be a source of sustained competitive advantage (David, 2007. p. 125). This view contrasts with Porter’s paradigm in that it is an “inside-out” approach with an emphasis on building a unique set of resources which would be durable and difficult to competitors
to imitate, thus forming the basis for strategy formulation leading to a competitive advantage.

At about the same time, Hamel and Prahalad (1990) developed their idea about core competencies. Core competencies are critical capabilities that allow a company to achieve a competitive advantage. Businesses compete for market position as well as competency. Therefore, management would focus on developing those competencies that have a direct impact on competitive advantage.

**Strategic Management and Systems Thinking**

The competitive resources and positions of companies become increasingly complex as technological changes proliferate and globalization continues. Companies and their management teams not only have to deal with fluctuating economies, industry consolidations, and crisis management, but also with the scrutiny of stakeholders, cost pressures and increasing consumer demands. All organizations face challenges as sociocultural/sociodemographic, political, technological, and economic forces rapidly redefine their environments. In such a complex world, a single framework is insufficient to analyze a firm’s competitive environment and formulate an appropriate strategy. Managers must look for other models, a different field of study, or both to evaluate external forces as well as internal resources of the firm. The discipline of systems thinking may offer new perspectives and potential solutions to today’s problems. Systems thinking is characterized by an ongoing assessment process that is critical for a successful strategy in a dynamic and complex environment. It can provide managers with tools that facilitate and enhance the strategic planning process.

Systems thinking offers a different approach to analysis since it looks at the big picture and focuses on the whole. Systems consist of elements and parts that interact with each other; they are a dynamic and complex whole. Systems thinking is an approach to analysis that is based on this definition. Systems thinkers believe that the inter-related elements of a system will act differently when isolated from their environments. In “Ackoff’s Best” the author explains that “In analytical thinking the thing to be explained is treated as a whole to be taken apart. In synthetic thinking the thing to be explained is treated as a part of a containing whole. The former reduces the focus of the investigator; the latter expands it.” Ackoff also noted a significant difference between “what might be called analytical and synthetic management. […] If each part of a system, considered separately, is made to operate as efficiently as possible, the system as a whole will not operate as effectively as possible.” (Ackoff, 1999, p. 18) Systems thinking recognizes that all human activity systems are open systems, complex and dynamic. Consequently, they affect and are affected by the environment in which they exist.

Strategic management looks at separate parts of the firm (the business system), analyzes them, and then integrates different organizational functions and processes into a cohesive, broader strategy. Strategic management as defined by Hill and Jones (2004, p.3) “is about identifying and describing the strategies that managers can pursue to attain superior performance and a competitive advantage for their organization.” Strategic management
is a constrained effort to produce fundamental decisions and actions. The results determine what an organization is, what it does and how it does it. This effort too often relies on events of the past to predict the organization’s future. Managers are expected to focus on strategies that will help their companies improve performance. Ideally, the company is to gain and maintain a competitive advantage, achieving above-average profitability over a sustained period of time. Hill and Jones (2004, p.4) state that “At the most basic level, strategy is concerned with understanding the relationship between prices, customer demand, and cost structure and manipulating these variables in a way that leads to higher profitability.” Formulating an effective strategy requires that managers consider all pertinent factors in the external environment (an “outside-in” perspective) and fit them with the current and potential resource base of the organization (an “inside-out” perspective) to create value and achieve the organization’s objectives.

By its very nature, strategic management as defined above uses data of the past to forecast the firm’s performance in the near future. However, forecasting is not foresight. The best strategic plans will be unsuccessful if management fails to understand the interconnected relationships within which such strategies should be carried out. In order to achieve a sustained competitive advantage, organizations need to understand the dynamics of the whole system in which they make their decisions. The business environment, in which the company operates, and its macro-environment form a whole system, akin to a big picture or a complete structure. It is similar to an organism with its own purpose; it is not a collection of deterministic principles.

In a conversation between Russell Ackoff and Strategy & Leadership’s contributing editor William Finnie, Ackoff said that “The first fundamental principle of systems thinking is that management should be directed at the interactions of parts and not the actions of parts taken separately.” (1997, p.25) Analytical management focuses on the individual parts and has a tendency to improve them separately. Synthetic management looks at parts as belonging to a unified whole, the focus is on their interaction, not on how they act independently of each other. It is important to recognize that changes made in one part of a system will impact other parts, often in a cascading fashion and often producing unintended consequences, either immediately or at some point in the future. It could be concluded that strategic management without a systems perspective may fail in the long term.

Systems thinking uses a variety of tools and techniques to assist in a holistic decision making process. Linear thinking is the traditional way to reach decisions. People learn to think in a linear fashion even though the world we live in goes in cycles such as business cycles, economic cycles, weather cycles, demographic cycles and more. Linear thinking focuses on the cause and effect of an event and, usually, it is assumed that both occur at almost the same time. The systems approach focuses on seeing the interrelationships, patterns and structures of events and complex situations. As such, systems thinking implies a networked thinking process and provides several tools and frameworks to assist in the learning and application of such a thinking process. Two of these tools are particularly useful in helping us understand the dynamic and interconnected nature of systems: Causal Loop Diagrams and Mind Maps.
Causal Loop Diagrams

Causal loop diagrams are one of the tools used in systems thinking to graphically depict one’s understanding of a system’s structure and behavior. Peter Senge stated in his book “The Fifth Discipline” (1990, p. 73) that “The essence of the discipline of systems thinking lies in a shift of mind:

- Seeing interrelationships rather than linear cause-effect chains, and
- Seeing processes of change rather than snapshots.”

First and foremost, systems thinking tries to understand the concept of ‘feedback’. Feedback is the result of actions producing counteractions. Actions and feedbacks form into recurring structures. Causal loop diagrams allow us to depict and describe interrelationships and patterns of change. They also help us understand the deeper patterns behind recurring structures. Causal loop diagrams are a visual aid towards a circular feedback view (A leads to B, which leads to C, which leads back to A) and away from a linear cause and effect view (A leads to B, which leads to C, which leads to D, . . . and so on).

A causal loop diagram helps us visualize how the interconnected pieces of a system affect each another. They can originate with a single loop and expand into several interconnected and inter-reacting loops. Several loops together will reveal the causal relationship between them and tell a story about the issue or problem at hand: it allows us to see circles of causality. There are two essential building blocks to causal loop diagrams: the reinforcing feedback where a small change builds on itself, and the balancing feedback which depicts a system seeking stability.

The first example in appendix C shows a reinforcing feedback process where actions snowball. The diagram is read by going around the circle: a good product satisfies customers who will pass on a positive word of mouth, which will create more sales and more satisfied customers with even more widespread word of mouth. Of course a reinforcing loop can be accelerating growth (a virtuous circle) or accelerating decline (a vicious circle). A bad product would create dissatisfied customers who will pass on a negative word of mouth, which will create fewer sales.

The second example shows a balancing feedback process. A balancing circle diagram is read by starting at the gap which represents the discrepancy between a desired and existing state. This example shows a cash gap between desired and actual cash balances. To correct a negative cash gap (cash shortage), money is borrowed which increases the cash balance and the cash gap decreases. To correct a positive cash gap (a cash surplus), debts are paid off which decreases the cash balance but increases the cash gap.

Causal loop diagrams provide a framework for observing and understanding the dynamic and interconnected parts of complex organisms and systems. Companies are like complex organisms because they too have reinforcing and balancing feedback processes.
These diagrams can help managers understand current problems and effects of proposed strategies.

**Mind Mapping**

Mind mapping is another systems thinking tool that allows a more free-form approach to visualizing concepts, issues and systems. The term “mind mapping” was coined by Tony Buzan who developed it in the late 1960s while studying at the University of British Columbia. He was frustrated about the time-consuming task of taking and reviewing traditional notes and experimented with more efficient note taking methods. His idea of mind mapping combines lines, text, and images to indicate related ideas and concepts. Buzan indicates four essential characteristics for a Mind Map\(^3\):

- The subject of attention is crystallized in a central image
- The main themes of the subject radiate from the central image on branches
- Branches hold a key image/word printed on the associated line - details radiate out
- The branches form a connected nodal structure

Appendix D shows an example of how the Mind Map characteristics can be used creatively. Mind maps are a visual tool to help organize thinking processes, to brainstorm, learn, plan, and make decisions. They are free-formed diagrams with a topic or theme in the center and related ideas branching out from the topic. Mind maps are non-linear in nature and there are no specific rules as to structure, allowing them to connect and cross-reference different elements. They can be drawn by hand or created using one of the many free or commercial software packages.

It would seem that mind mapping is a modern tool, however, similar concepts and diagrams have been used for centuries. The notion of mapping out ideas dates back to about the 3\(^{rd}\) century. One of the oldest “mind maps”, the Porphyrian tree, was created by Porphyry of Tyros, a 3\(^{rd}\) century thinker. This tree is a logical classification of substance. It consists of three rows or columns of words; the middle column contains the series of genus and species and is similar to a trunk. The left and right columns contain the differences; they are analogous to the branches of a tree.\(^4\) (See Appendix D)

In the middle ages, Ramon Llull, a writer and philosopher who lived in the mid-13\(^{th}\) century, created a diagram called the “Tree of Knowledge.” He used the metaphor of the tree to organize and portray knowledge. The trunk of the tree portrays the central theme or core concept; the branches surrounding the trunk (theme) are the subordinate concepts. Llull used color, lines and association to display knowledge and ideas (Nast, 2006, p. 21). The tree is a symbol that is often used as a metaphor for knowledge, growth and life. Prahalad and Hamel used the tree metaphor to describe the corporation thusly. “The

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\(^3\) [http://www.mind-mapping.co.uk/mind-mapping-definition.htm](http://www.mind-mapping.co.uk/mind-mapping-definition.htm)

diversified corporation is a large tree. The trunk and major limbs are core products, the smaller branches are business units; the leaves, flowers, and fruit are end products. The root system that provides nourishment, sustenance, and stability is the core competence.” (1990, p. 82)

**Mind Mapping Strategic Management**

The various strategy frameworks that have emerged since 1970 deal with either internal or external factors. Porter’s five forces model (1979) looks at competitive forces in the industry environment (bargaining power of buyers, bargaining power of suppliers, threat of substitutes, threat of new entries, and industry rivalry) that determine the level of intensity and influence a company’s strategic position. Each force is categorized as either a threat to, or opportunity for, profit potential in the industry. For instance, intense industry rivalry is a threat to the firm because it lowers profit potential; weak industry rivalry is an opportunity because the profit potential is higher. Based on the analysis of these five forces, managers then choose a strategy to leverage possible opportunities and fend of threats. The emphasis is on opportunities and threats within the industry; a company’s strength and weaknesses seem secondary, and are not part of the competitive advantage equation. Porter later added an internal perspective to his five forces model describing critical characteristics at the functional level of the organization which are building blocks of competitive advantage: efficiency, quality, innovation, and customer service, which we label “EQIC.”

The resource-based view (RBV) looks at the company’s resources and capabilities. These are internal forces driving the company. Four attributes define strategic resources which hold the potential for competitive advantage: they have to be valuable, rare, imperfectly imitable and non-substitutable. In RBV, these internal factors are the basis for a company’s strategy.

When developing a strategy, managers should consider internal and external forces. Ideally, these forces should be analyzed together so that management can study “the interactions of parts and not the actions of parts taken separately.” (Ackoff, 1999, p. 25) A combined model that integrates the internal forces of the resource-based view and the external forces from Porter’s model could serve as a new framework to consider all business perspectives.

**The Strategic Management Mind Map**

The tree seemed to be an ideal symbol to model and combine (1) Porter’s five forces and (2) the resource-based view into a mind map. For centuries, the tree has been used as a template to organize and depict concepts, relationships, and knowledge. You will notice the influence of causal loop diagramming in the map. Microsoft Visio was used to draw the Strategic Management Mind Map (see appendix E). It is a graphics software that is easy to learn and that provides various templates for diagrams, flow charts, and mind maps.
A tree and a business have many common features. Roots anchor the tree and provide it with the necessary resources it requires for healthy and steady growth. The better and stronger the roots, the thicker and sturdier the trunk to support the branches and the crown of the tree. The root of a company’s competitive advantage, EQIC, lies in its resources and capabilities; they are the source of its distinctive competencies. Based on its distinctive competency, the firm chooses its strategy in order to attain or maintain its competitive advantage. Like the trunk is the core of a tree, the competitive advantage is the core of any strategy a company chooses to undertake.

The tree’s growth and health is also influenced by its environment. It needs rain and sunshine to grow and produce its fruit. Too much or too little rain will harm it. Too much sunshine can scorch the leaves and kill off the tree. A storm can break branches or even uproot a tree. And other trees can crowd in and compete for rain and sunshine.

Translated into the business world, the tree is the company where its distinctive competencies are the roots and foundation of the company’s existence. These competencies determine the company’s competitive advantage from which the various strategies emerge. The size of the company is rooted in part in its resources and capabilities, but is greatly influenced by its business and industry environment.

**Bargaining Power of Buyers (Customers).** Customers can fuel the growth of a company or they can scorch it by switching to competitors. The lower the buyers’ bargaining power, the stronger the company’s growth will be. On the other hand, if buyers’ bargaining power is high, growth may be slow and limited. The customers’ price sensitivity and negotiating potential determines the extent of their buyer power. If the company’s product is similar to products offered by rivals, the customers’ purchasing decision will mostly be based on price. This increases competitive rivalry which drives down prices and results in lower profitability for the company. A large buyer has more leverage with the company and can demand low prices and special payment terms (for example Wal-Mart or the Department of Defense).

**Bargaining Power of Suppliers.** Unless a company chooses to produce all of its own inputs, it will have to depend on suppliers to furnish raw materials, components or services needed for the end product. The cost and quality of materials and services supplied have a great impact on a company’s profitability. Suppliers can be powerful if there are just a few in the industry, if there are no viable alternatives to the items they supply, or if they sell to customers in many different industries. Powerful suppliers can demand higher prices or supply goods/services of lower quality since reasonable alternatives are few, thus increasing costs and decreasing profit potential. Suppliers can also threaten to integrate forward into the company’s industry and become a rival. As such, suppliers can be viewed like rain: in the right quality and quantity, the firm gets exactly what it needs to prosper.

**Threat of Substitutes.** A company’s end products, the “fruit” of its efforts, can be threatened by substitutes. The availability of products that appear to be different (i.e., plastics and metal) but satisfy the same need will limit prices that can be charged by
industry firms, thus limiting the industry’s profit potential and attractiveness. The threat of substitutes is also influenced by the customers’ willingness and ability to substitute, the switching cost, and the relative price and performance of substitutes.

**Threat of New Entrants.** A firm’s strong competitive advantage presents a high barrier to entry which would make it too expensive for new firms to enter the industry. Here the parallel can be drawn to a tree with a sturdy strong trunk producing thicker branches and more leaves which will overshadow new young trees. Saplings growing in the shadow of such a strong and established tree would not only unsuccessfully compete for sunlight and rain, but also the necessary nutrients to establish a solid root work. On the other hand, low barriers to entry (due to a diminishing competitive advantage) will increase the threat of new entrants and the fight for profitability.

**Industry Rivalry.** The intensity of industry rivalry depends on a variety of factors, including the strength of the other four forces and the structure of competition. If there are more rivals, or a rival of equal size, competition is fiercer (more trees or trees of equal size are more serious competitors than fewer or smaller and weaker trees). If the company can differentiate itself from its competition (customer service or product differentiation based on quality, cost, or brand identity), rivals pose less of a threat. No product differentiation (commodities) creates low switching cost for the buyer; more companies will compete for customers based on price. On the other hand, if customers cannot easily (or cost effectively) switch to a different product industry rivalry is reduced. In general, concentrated industries (versus fragmented) have the highest degree of rivalry. Trees growing closely together compete more severely for resources, rain and sunshine than trees growing apart.

**Government.** Porter did not include Government as a separate force in his five forces model; he incorporated government’s impact into the five forces. Government influence can impact all of Porter’s five forces and tip the balance in favor of customers, suppliers, new entrants or rivals. For instance, considering the entry of potential competitors, government regulations can be a hindering or enabling force. (Hill and Jones, p.42) Past government regulation of many industries (i.e., airlines, utilities, and long-distance phone service) served as a barrier to entry, however, subsequent deregulation of those industries led to increased competition and more intense rivalry.

Government has been included as a separate force in the Strategic Management Mind Map. Its influence over the business environment waxes and wanes in cycles and often depends on the current political environment. In the U.S., traditionally, a democratic congress tends to increase government regulation whereas a republican congress tends to decrease it. Increasing globalization is strengthening this force as many companies must now deal with the influences of government in several countries simultaneously. For instance, the European Union’s antitrust penalties that were imposed on Microsoft were a significant force that Microsoft underestimated.

**Conclusion**
One competitive force affects the other. Managers need to think analytically and systemically when considering a strategy. Any action they take will affect their company, the industry environment and the competing forces within. To determine a viable strategy, managers first need to consider the company’s internal environment. They assess the company’s resources and capabilities which are the basis of the company’s competitive advantage, i.e., EQIC. The competitive advantage (competitive position) in turn is influenced by the industry’s external forces. These forces are considered and evaluated next. Based on the influence of these six forces and the strength of the company’s resources and capabilities, management chooses the best strategy to achieve the company’s objectives and fulfill its mission.

The Strategic Management Mind Map is a framework that combines the analysis of internal weaknesses and strengths as well as external opportunities and threats. It uses the resource-based view as the starting point for the company’s internal evaluation and Porter’s five forces model to analyze the external industry forces in which the company operates. The systems thinking tool mind mapping is applied to combine RBV and the five forces into a comprehensive structure.
Appendix A

Ansoff Product-Market Growth Matrix (1957)\(^5\)

Product Life Cycle (1965)\(^6\)

BCG Growth-Share Matrix (1970)\(^7\)


\(^6\) [http://uwacadweb.uwyo.edu/WFCUCLASS/design/Product%20Life%20Cycle.htm](http://uwacadweb.uwyo.edu/WFCUCLASS/design/Product%20Life%20Cycle.htm)

Appendix B

Michael Porter’s Five Forces Model (1979)\(^8\)

![Diagram of Michael Porter's Five Forces Model]

Michael Porter’s Value Chain (1985)\(^9\)

![Diagram of Michael Porter's Value Chain]

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\(^8\) [http://www.12manage.com/methods_porter_five_forces.html](http://www.12manage.com/methods_porter_five_forces.html): see also Michael Porter 1979 and 2001

Appendix C: Causal Loop Diagrams

Reinforcing Circle Diagram (Senge, 1990, p. 81)

Balancing Circle Diagram (Senge, 1990, p. 87)
Appendix D

Mind Map Principles\textsuperscript{10}

Tree of Porphyry (~300 AD)\textsuperscript{11}

\textit{Supreme genus:} Substance

\textit{Differentiae:} material \quad immaterial

\textit{Body} \quad \textit{Spirit}

\textit{Subordinate genera:} animate \quad inanimate

\textit{Living} \quad \textit{Mineral}

\textit{Differentiae:} sensitive \quad insensitive

\textit{Animal} \quad \textit{Plant}

\textit{Proximate genera:} rational \quad irrational

\textit{Human} \quad 	extit{Beast}

\textit{Species:} Socrates \quad Plato \quad Aristotle \quad etc.

\textit{Individuals:}

\textsuperscript{10}http://www.mind-mapping.co.uk/assets/definition/MM---principles.gif

\textsuperscript{11}http://faculty.washington.edu/smcohen/433/PorphyryTree.html
Appendix E: Strategic Management Mind Map

Customers

New Entrants

Suppliers

Competitive Advantage

Cost Leadership

Focus

Differentiation

Industry Rivalry

STOP

Substitutes

Government

Resources & Capabilities:
Valuable - Rare - Imperfectly Imitable - Non-Substitutable
References


The Impact of Market Forces and Government Policies on Transition Economies: A Case Study

Authors:
J. Kim DeDee
920.424.7199
&
Lee VanScyoc
Both of
College of Business
University of Wisconsin Oshkosh
Oshkosh WI 5491

Abstract
Despite the interest in global business, scholars give limited attention to the transition economies of Central and Eastern Europe (CEE), and especially to Poland one of the most promising free markets since the fall of communism This study explains how the government of Poland moved quickly and decisively to lay the cornerstones for a private sector economy by redirecting its economic principles for long-term global business. A framework of this nation’s transition efforts concerning ongoing government policies and consumer driven trends toward freer markets is presented.
Testing Prerequisites and Student Success in Principles of Finance

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by

Alan Blaylock*
Department of Economics and Finance
307K Business Building
Murray State University
270.809.6763
270.809.5478 Fax
alan.blaylock@murraystate.edu

and

Stephen K. Lacewell
Department of Economics and Finance
307J Business Building
Murray State University
270.809.4285
270.809.5478 Fax
steve.lacewell@murraystate.edu

Abstract

The introductory finance course usually requires prerequisite coursework in math, economics, and accounting. Previous studies have concentrated on the student’s background and performance in these prerequisites as determinates in the performance in an introductory finance course. In addition to these prerequisites variables, this study analyzes performance in the introductory finance course as a function of the student’s actual prerequisite knowledge at the beginning of the course. This knowledge is indicated by the student’s performance on a prerequisite test covering math, economics, and accounting. A better score on the accounting section of the prerequisite test is found to positively affect the final raw grade for the finance course.
Testing Prerequisites and Student Success in Principles of Finance

While most business schools require prerequisite knowledge in the areas of math, economics, and accounting for the introductory finance course, little evidence points to which, if any, of these prerequisites is most essential. Years of teaching the principles of finance class has revealed that many students lack the basic skills learned in the prerequisite classes, or at the least students think they have not retained these skills. Students deficient in the prerequisites (and in those rare exceptions allowing students to take the principles class without meeting the prerequisites) may have a difficult time building a sufficient base of math, accounting, and economics knowledge in preparation for finance. As the principles of finance course relies heavily on their problem solving ability, students who fail the basic prerequisite skills tend to struggle throughout the semester.

Realizing the importance of the correct prerequisite background and the students’ failing to meet those prerequisites, a formal prerequisites test was implemented in six sections of a principles of finance course. The test covers the elementary principles of accounting, economics, and mathematics needed to begin a study of corporate finance. Such testing offers a variety of benefits. Specifically, the test (1) forces the student to realize the necessity of the prerequisite knowledge and refreshes the student’s memory to be better prepared for the learning of finance, (2) lets the student know of any deficiencies in order to correct them, (3) provides the student a warm-up for more difficult material and motivates the student to begin working early in the semester, (4) provides the student a first glance at the teacher’s testing style and standards, (5) prepares the instructor on how the material should be presented throughout the semester, (6) can be used as an AACSB assessment tool to assess the performance of the programs providing the prerequisite knowledge.

This study seeks to determine if a student’s performance in prerequisite classes, as well as their scores on the aforementioned prerequisites test, contributes to their success in the principles of finance course. Also examined are which, if any, areas of prerequisite study benefit the student the most in the basic finance course.

Literature Review

Studies that focus on student success in business-related classes are taking on increased importance. This is due in large part to business schools’ emphasis on assurance of learning and student engagement. An exhaustive search of previous research documenting the relationship between finance prerequisites and future student success in the principles of finance course turns up few finds to date, but the authors feel that this will change dramatically in the coming years.

Papers that study the quantitative relationship between student success in a principles of finance course and student success in the prerequisites needed for this class are very few. Only one paper by Didia and Hasnat (1998) touches on this subject. They found that a student’s cumulative GPA has a statistically significant positive impact on
success in the finance course. They also noted that a student’s prior performance in accounting, economics, and math tended to carry over to success in finance. There are other variables not considered in the Didia and Hasnat study that may foretell success or failure in the basic finance course, of which this study includes. Additional studies performed on the area of finance have mostly focused on self-reported qualitative factors such as student effort and test anxiety.


Data and Methodology

This study includes students enrolled in six sections of the introductory finance course over a period of two semesters. Students were given approximately two weeks to study for the prerequisites test. Scores were extracted from the test for each of the three subject areas: math, economics, and accounting. These scores and the final semester averages were obtained from the instructor. The remaining prerequisite data was pulled from student transcripts. One hundred and four out of 153 observations are usable.

Didia and Hasnat (1998) use the average GPA for the first two accounting courses, the average GPA for the first two economics courses (micro and macro), and the highest GPA of all math courses taken as measures of student background. They also considered using the number of math credits acquired by each student as a measure of math background, but they opted for the highest math grade since the number of credits did not show any significance. Blaylock and Lacewell (2007) also account for the quantity of prerequisite courses taken. They include the number of courses taken within each prerequisite subject and, as similar to the timing variable in Austin and Gustafson (2006), also the time, counted in semesters, since the last prerequisite course was taken. The reasoning is that the number and timing of the prerequisite courses taken may have an influence on student performance in the principles of finance course. Both Didia and Hasnat and Blaylock and Lacewell also account for gender and cumulative GPA for each student. This study analyzes student performance as a function of the aforementioned variables in addition to the scores for each subject area on the prerequisite test. Student performance is measured by the average raw semester grade. This is the final semester grade before such grade adjustments as bonus points and extra credit.
The model to be used in this study is

\[
\text{GRADE} = C + \text{GENDER} + \text{AMATH} + \text{GMATH} + \text{QMATH} + \text{AECON} + \text{GECON} + \text{QECON} + \text{AACC} + \text{GACC} + \text{QACC} + \text{GPA}
\]

Where C is a constant; GENDER is a dummy variable that equals 1 if the student is male and 0 if the student is female; AMATH, AECON, and AACC, equal the number of semesters since, respectively, a math, economics, or accounting course was taken, GMATH, GECON, and GACC equal the average GPA for the student’s math, economics, and accounting courses, respectively, QMATH, QECON, and QACC equal the number of, respectively, math, economics, and accounting courses were taken, and GPA equals the cumulative GPA. As indicated in Blaylock and Lacewell (2007), GMATH and QMATH include only those math courses at or above the college algebra level. Descriptive statistics for each of the variables are presented in Table 1.

**Results**

The possible dependence between the prerequisite GPAs with each other as well as the cumulative GPA may result in multicollinearity. However, the correlation matrix presented in Table 2 does not show any high correlations that would warrant concern. The OLS coefficients from the model are presented in Table 3. Heteroskedasticity was detected so White’s corrected standard errors were used in measuring significance levels. Three variables are significant, one of which, PA, is unique to this study. GACC indicates that student performance increases by about 4 percentage points for every one point increase in accounting GPA. QMATH also indicates that student performance is enhanced by about 6 percentage points for each additional math course taken. Not surprisingly, GPA also contributes largely to the student’s semester average.

Although the contribution is not as great, the results show that a student’s accounting knowledge as measured by the prerequisite test positively and significantly affects performance in the principles of finance course. This shows that a student’s knowledge of accounting at the beginning of the finance course, and not just a previous background in accounting, is important in performing well in finance. This finding is similar to that of Juang, O’Shaughnessy, and Wagner (2005) that found that student success on an accounting pre-test also performed well in the intermediate accounting course.

**Conclusion**

Previous studies have concentrated on the student’s background and performance in prerequisite coursework as determinates in the performance in an introductory finance course. This study finds that not only does this prerequisite background positively influence performance in the finance course, but also that this performance is enhanced by the student’s understanding of that prerequisite coursework at the beginning of the semester, at least in the area of accounting. Note that different instructors teach in different ways so that other prerequisite areas, if any at all, may also be a significant factor in student performance.
<table>
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<tr>
<th>Variable</th>
<th>Mean</th>
<th>Standard Deviation</th>
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<tbody>
<tr>
<td>Semester average for the course (GRADE)</td>
<td>65.24</td>
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<td>Number of males (GENDER)</td>
<td>48</td>
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<td>Average GPA for all math courses taken (at the college algebra level and above) (GMATH)</td>
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Table 3: OLS Results
The dependent variable is the final grade received in the course. White’s corrected standard errors are reported in parentheses.

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***Significance at the 0.01 level.
**Significance at the 0.05 level.
*Significance at the 0.10 level.
References


Changes Occurring in Advertising Today

Laura Lynn Kerner, Athens State University
Robert Gulbro, Athens State University
Jim Kerner, Athens State University

Abstract

Rapidly evolving technologies have affected how advertising needs to be delivered and the type of content communicated. Consumers’ use of these technologies is also changing advertising content and the types of media outlets that are being used. This paper discusses the fastest growing media sector, the reasons for this sector’s growth and the changes that are occurring in the advertising industry as a result of this sector’s growth and other technological advances.

Brief History of Advertising and Traditional Practices

Advertising was first distributed in the first mass communication vehicle, “print” in the form of newspapers and magazines. As mass communication vehicles evolved advertising changed. When the radio became a household standard, advertising was done via audio in this medium. Televisions became a major entertainment vehicle in the early ‘50s and advertising was then relayed both by audio and video. With the advent of the Internet and rapidly changing technologies, i.e., cell phones, iPods and wireless systems, advertising became an ever evolving, ever changing medium of communication delivered via new and different methods.

Today, buying ads in print or on TV involves purchasing large quantities of space or time across a number of outlets. These are purchased well in advance of the distribution date. Traditional pricing models are based on the projected “thousands” that would be reached by the ad. Pricing is not tied to actual results: the number of people who actually view the ad or make a purchase. In the traditional media world of today it is a very relationship-driven market place (Delaney, para. 13, 2006).

Distribution of Advertising Dollars Spent in U.S. in 2005

The estimated U.S. spending on advertising in 2005 as shown on the chart created by ZenithOptimedia doesn’t reveal that online advertising is becoming a serious rival to traditional media advertising (Delaney, para. 6, 2006). Advertising Age predicted that during 2005 “the combined advertising revenues of Google and Yahoo! will rival the combined prime-time ad revenues of
American’s three big television networks ABC, CBS, and NBC” (The online ad, para. 1. 2005).

The Fastest Growing Media Sector

Even though online advertising revenue represents a small share of the U.S. advertising market it has become the fastest growing medium. Worldwide revenue on the Internet grew by 21% in 2004 (The online ad, para. 6, 2005) and during the first half of 2005 online advertising spending was up 26% (Morrison, para. 2, 2005) confirming the forecast that this trend will continue at this pace.

As more marketers shift from TV and print media to the Internet, more Web sites are hanging “sold out” signs on their most coveted pages and dramatically raising ad rates. This surge in demand is allowing big rate increases at the largest portals: Google, Yahoo, and Microsoft’s MSN. Yahoo said prices increased by “double digits” in the 3rd quarter of 2005 and AOL said prices increased by as much as 20%. MSN has received so much business that they have been able to increase their 2004 charges of $25,000 - $50,000 to several hundred thousands - $1 million (Angwin, para. 5, 2005).

As shortages of premium spots occur, advertisers are being drawn to smaller targeted Web sites that capture niche audiences or even into what is known as “remnant inventory” or otherwise unwanted spots across a wide array of Web sites. Even on these sites there has been a 3% increase in advertising prices (Angwin, para. 17, 2005).

Reasons for Changes in Advertising

Shifts in Consumer Media Patterns. There is increasing consumer use of the Web and widespread availability of high-speed Internet. Media consumption patterns are changing rapidly, particularly among upscale and younger audiences. Audiences are splintering off in dozens of directions, watching TV shows on iPods, watching movies on videogame players and listening to radio on the Internet. Thus the use of video iPods and other hand-held devices such as cell phones takes place when and where the consumer chooses and has made entertainment portable. This makes the 30-second TV spot a less effective means of promoting products and services (Steinberg, para. 1, 2005).

“As more people adopt wireless and digital devices such as cell phones and Apple iPods, the Web will replace television as the primary tool to connect marketers to consumers,” says Tom Bedecarre, Chief Executive of AKQA (all known questions answered) a San Francisco ad firm (Lawton, para. 13, 2005).

Worries about the Effectiveness of Traditional Media Venues. Marketers worried about the effectiveness of traditional TV ads and print media are putting more emphasis on Internet and mobile
ads. According to the Financial Times, companies are experimenting more with other media methods, as they believe they can no longer rely on traditional TV advertising alone to reach the mass market (Silverman, para. 1, 2005).

Big ad spenders like Anheuser Bush and Proctor and Gamble are moving away from TV to cable and the Internet as media preferences shift and they can reach more targeted audiences. The target market for beer producers are men and women aged 21-34, who spend 55% of their TV time with cable networks. Anheuser Bush has been grappling with a stagnant beer market and fighting a price war with its biggest rival SABMiller and will put more emphasis on cable, Internet, bars and restaurants (Ellison, para. 7, 2005).

The Ability to Determine Advertising Effectiveness. Online advertisers can easily track the effectiveness of their ads via a tracking technology that allows the advertiser to know the number of potential customers who have “clicked through” to their sites. They can also make changes and updates based on the results. Technologists are also rushing to offer advertisers “behavioral targeting.” This lets a car advertiser follow a potential customer from the front page of Kelley Blue Book, which provides data on new and used cars, to other Web sites and place their ads on those sites (Angwin, para. 32, 2005).

An Underserved Market for Advertising Sales. According to the Wall Street Journal small businesses, approximately 14 million, are an underserved market and both Web sites and other software development companies have and are realizing this (Richmond, para. 16, 2006). The Internet offered small businesses the opportunity to access world wide markets at reasonable pricing based on consumer “click throughs” on such sites as Google, Yahoo, Microsoft’s MSN and eBay. These Web sites began to realize that this small business market could be offered access to multi-media advertising outlets such as radio and print, if they used the same business model applied to Internet advertising. Here was a market virtually untouched that offered a huge opportunity for these Web businesses to grow.

Other software development companies realized that these small businesses needed additional capabilities to function efficiently and effectively and began developing products and services to meet their needs. dMarc Broadcasting, Inc. developed an online system for advertisers to buy radio airtime and then automatically slot the advertisers’ commercials into radio station’s computers for broadcast (Delaney, para. 3, 2006). Another company, Spot Runner, Inc. created several thousand TV commercials for industry specific segments and will customize them for less than $500 for local advertisers and then book time in local TV markets through their Website and will deliver the commercial electronically to the TV broadcaster or cable company for insertion into the programming.

Pricing. Internet advertising pricing is much less expensive than traditional media pricing. Internet ads are visible for much longer periods of time and cost less money than do most other media mediums. For example the 2005 Super Bowl’s average price for a 30-second TV was $2.4 million, or $83,333 per second (Wagmeister, para. 4, 2006) compared to MSN’s charges for a prime 24-hour ad on its home page which would be between several hundred thousand dollars to $1 million (Angwin, para. 5, 2005). A full-page color ad in People’s magazine costs $228,275 and a 30-second spot on “Desperate Housewives” which has about 26.5 million viewers, costs $574,504 according to Nielsen Monitor-Plus (Angwin, para. 7, 2005). Traditional media charges are generally based on “per thousands” of customers who might view the ad.

The pricing structure used by Web companies, like Google, is generally based on a “pay-per click” method, which means the advertiser only pays the Web vendor, if a customer clicks on the ad. The basic idea behind the “pay-per-click” structure is that advertisers bid in an online auction for the right to have their link displayed next to the results of a specific search term, like “used cars” and then
pay only when a web user actually clicks on that link. The general charge is around 50 cents per click. “Pay-per-click” is the fastest growing part of the advertising industry. In the first half of 2005, it rose 27% in America, the Interactive Advertising Bureau, a trade group in New York reported. That is 40% of all online advertising (though only 3% of the total advertising) in America (Pay per sale, para. 3, 2005).

Changes Occurring in Advertising Today

Buying Domain Names for Advertising Portals. Firms are snapping up scores of generic domains, like mutualfunds.com and videogamer.com and loading them with “pay-per-click” advertisements using the services of Google and Yahoo. These sites are loaded with ads from other sites that relate to the domain name. When visitors “click” on one of the ads to go through the portal to the specific site the domain owner is paid a percentage of the “pay-per-click” charge by ad brokers, such as Google who have placed ads on their sites (Kesmodel, para. 2, 2005).

Google will place ads on a domain owner’s site if it generates 750,000 page views a month (Kesmodel, para. 11, 2005). These generic domain names attract visitors searching for information by typing an address, such as newyorkrealestate.com.

The domain name market is attracting a new type of investor. Once the playground of the entrepreneurs, it is now drawing venture capitalists, wealthy families, and public companies. A domain aggregator, such as Internet REIT, LP, is raising $250 million to buy domain names and sees the Web addresses as long-term investments whose yields can be a steady stream of income for shareholders. Recently the sale of website.com went for $750,000 and revenue from text ads on these sites totaled from $400 million to $600,000 million in 2005 and may reach $1 billion by 2007 (Kesmodel, para. 6, 2005).

VeriSign Inc., the company that manages the registry of domain names ending in .com and .net, estimates that about 10% of all their domains being registered are created to host pay-per-click advertising (Kesmodel, para. 20, 2005). Companies which host the domain names for the owners are known as “domain parkers” and receive a portion of the “pay-per-click” revenue along with the ad broker, the domain name owner and the parking company. This is a BIG business creating not only revenue for domain name owners but booms to domain-name registrars and companies that manage databases of domains.

Creation of Interactive Advertising. Interactive advertising is a method by which the advertiser uses different media at the same time to engage consumers to participate. It may be email, the Web and telephones. It is advertising “hook”. A San Francisco ad company, AKQA (all known questions answered), is specializing in this interactive advertising. Their customers include Microsoft, Coca-Cola, and the U.S. Postal Service.

A recent example of their work used the Web, phone and email. The phone rings and on the line is a woman called Joanna Dark with a message. “The job is done,” she says, “check your email. In your email box is a picture of a corpse, identified as someone you know.” It is an elaborate ad marketing Microsoft’s Xbox 360 game, “Perfect Dark Zero.” Gamers who visited the Perfect Dark Zero Website could provide a phone number – for Ms. Dark to call them and a list of friends who didn’t mind getting emails about their “slaying” (Lawton, para. 2, 2005).

The campaign hit the mark. Thousands of people played along with the marketing exercise and the game itself is one of Microsoft’s three biggest selling Xbox 360 games out of more than 15 published (Lawton, para. 3, 2005).

Changing the Advertising Payment Structures. The “pay-per-click” advertising charging structure is far from perfect and fraught with “click fraud” – bogus clicks generated by software-
powered websites set up just for that purpose. And people often clicked through to a site but didn’t make a purchase.

Multiple Internet companies are adding another feature to their payment structures: “pay-per-call.” Companies using this system or moving to it include e-Bay, Google, AOL, Yahoo, and Microsoft. It is projected that by 2009 “pay-per-call” will be worth between $1.4 billion and $4 billion topping “pay-per-click” revenues (Pay per sale, para 5, 2005). Advertisers will pay when the Web surfer clicks on the “call” icon not when they just click on the ad.

eBay was the first company to act on this idea in September of 2005 with their purchase of Skype, a VoIP (voice over internet protocol) telephony software company that lets people make free computer-to-computer phone calls. eBay placed little Skype “buttons” on web pages for consumers to click on to talk live to an advertiser’s salesperson, only then will the advertiser be charged.

AOL signed with Ingenio, Inc. the company who pioneered the computer-to-computer phone calls and has been helping consumers reach search-page advertisers by phone since the beginning of 2005. Microsoft’s MSN is weighing adding a “click-to-call” feature to Windows Live Local and Yahoo has said it is testing “pay-per-call” ads.

Google began testing this technology on their website with their partner, VoIP, Inc. in the 1st quarter of 2006 by placing little telephone handsets on its website. Countrywide Home Loans Inc., which uses this system and paying for the calls it receives as a result of the Google handset icon, states the advertising works well. “Some consumers really like the fact that they can speak to a live person, a professional loan officer, after they’ve done their research,” says Bruce Cornelius, executive vice president of consumer markets (Richmond, para. 12, 2006).

With the aid of Internet technology, merchants can precisely track how many calls come through their ad with the handset icon, and what sales resulted. Merchants are willing to pay more for this service and average bid prices for this call feature are $10 a call. Certain popular and mature categories, including mortgages, refinancing and debt consolidation reach as high as $50. This is 10 to 20 times the going rate for clicks (Richmond, para. 14, 2006).

This new pricing structure may be an opportunity to woo small businesses in local markets that most whom have not previously used the “pay-per-click” advertising feature. They might not have Websites but have phones and spend large sums on yellow-pages ads. Lawyers, florists, and restaurants may be prime targets for this. Yellow-pages.com has positioned itself against this competition with a bonus click to call feature for its advertisers.

After “pay-per-call” will probably come “pay-per-sale.” “It may be the future of the pricing structure for Internet advertising,” states the inventor of the “pay-per-click” method, Bill Gross (Pay per sale, para 6, 2005). He started offering SNAP, a search engine which United Airlines now uses and places a text link on SNAP’s search pages. United pays (about $10) not when somebody clicks or calls, but only when they actually buy a ticket.

Moves by Internet Companies into Tradition Media. Google as a huge clearinghouse for advertisers is moving into traditional media such as newspapers, magazines and radio realizing that traditional media remains a vastly larger ad market than the Internet. Moving into this arena Google is hoping to use its automated system to link its advertisers, particularly the smaller ones, with ad opportunities in traditional media they might not have otherwise used. Google may try to present smaller, local advertisers with a broad package of ad possibilities, ranging from Web-search ads to radio, TV commercials and newspapers in their local market. Google is generally targeting smaller companies who don’t use big advertisers. Google has placed ads on behalf of advertisers in three magazines, PC Magazine, Maximum PC and Budget Living as well as the Chicago Sun Times newspaper. It appears that Google wants to be “the one stop shop” for advertisers, particularly small
one – a large market segment (14 million). Google believes its systems can help advertisers target their ads to susceptible audiences and then track data on any increases in sales that result – and do it all through a simple Web site.

In the 1st quarter of 2006 Google purchased dMarc Broadcasting, Inc., which is an online system for advertisers to buy radio airtime and then slots the advertisers’ commercials automatically into radio. dMarc mirrors what is the heart of Google’s advertising operation, using an automated system to auction off the right to place advertisements on its search-results pages when an Internet user types in certain key words.

dMarc has 100 advertisers and agreements with more than 500 U.S. radio stations (Delaney, para. 19, 2006). It also sells some of the computer equipment and software that radio broadcasters use to manage and play their programming and ads. On its Website dMarc presents them with various options for selecting radio outlets such as by format, geographic market, time slot and audience demographics. Advertisers pay based on the number of estimated listeners their commercials reach, or a fee for each customer call or transaction the commercials generate, similar to Google’s “per-pay-click.”

Podcasting. A podcast is a Web feed of audio or video files placed on the Internet for anyone to download, or subscribe to and is deliverable to mobile devices such as iPods or MP3 players.

With the introduction of Apple’s video iPod during the 4th quarter of 2005, which made TV shows downloadable, free from ads, advertisers are scrambling for ways to market to this new venue. Video iPods and other hand held devices, such as cell phones have made entertainment portable, specifically chosen and watchable at the consumer’s convenience. Marketers are faced with creating “advertising on the go” that will appeal to users of these products (Vranica, para 14, 2006).

At this juncture advertisers are reducing podcasts ads to 15 seconds and placing them at the beginning or end of the podcast. Most of the ads are not intrusive and are more entertaining. For example Anheuser-Busch has created mini documentaries with Ted Ferguson, a wannabe daredevil character from the Bud Light TV campaign. The comic clips can be downloaded at www.tedferguson.com. A recent article relates the following:

One of the most popular podcasts currently online was made 63 years ago and stars Bugs Bunny. It beat out ABC’s podcast for “Lost,” in which the show’s stars are interviewed. Vintage Toon-Cast is a free weekly posting of cartoon shorts from the 1930s and ‘40s with the adventures of Bugs Bunny, Elmer Fudd and Woody Woodpecker. In December 2005 the 1943 short “Falling Hare,” was downloaded close to 50,000 times. Cutting edge entrepreneurs are successfully using podcast to market themselves (Mount, para. 1, 2006).

In late 2004, J. Craig Williams discovered podcasting and used it to help bring his small law firm international attention. Using a few simple pieces of hardware, he created a brief daily radio show – a podcast – and anyone with access to the Web could listen. He bought a microphone, hooked it to his computer and recorded himself chatting about important cases and other legal news. He posted these on popular directory sites, on his own site and on MayItPleaseTheCourt.com (Flandez, para. 1-2, 2006).

Mr. Williams says the podcasts have given his six-lawyer practice, the same marketing reach as multination firms. He says, “The marketing takes care of itself. All the podcast does is give information. If you like the style of the writing and speaking, then you’re getting to know me. Then you might call me. It’s not a hard sell” (Flandez, para. 4, 2006).

Podcasting technology may have the most to offer entrepreneurs. For an investment of a few hundred dollars, small businesses can get their name before a worldwide audience and potentially
boost their revenue. Podcasting is a large and growing market. “Almost 1/3 of the 22 million U.S. adults who own iPods or other MP3 players have downloaded and listened to podcasts, according to a Pew Internet and American Life Project survey” (Flandez, para. 6, 2006).

**Advertising on Cell phones.** Now that wireless networks have broadband-like speed and cell phones are equipped with faster processing chips marketers have started to test ads similar to those run on the Internet and TV. Most of the companies who have used advertising on cell phones have not gotten the return they wanted but this is probably due to this being a new advertising medium and time will improve advertisers’ use on this device. More camera cell phones are being purchased and usage is increasing:

About 47% of cell phones sold in the U.S. in 2005 were camera phones, compared to 6% in 2003 and 21% in 2004 according to technology-research company Gartner, Inc. About 11 million wireless customers, or 6% of the total, actively use picture-messaging services according to another technology-research company, Yankee Group. Yankee estimates 1 million people at the end of 2005 were subscribers to TV services on their cell phones (Yuan, para. 8, 2006).

Cell phones ads cost a few hundred thousand dollars to appear thousands of times in a 3 month period while a 30-second TV ad cost that much to appear once. It is predicted that with time and more testing cell phones will be an effective advertising avenue if it is not misused in the early days (Yuan, para. 10, 2006).

**Creation of Advertising Consulting Firms.** With so many and frequent technological changes impacting media and advertising, it is demanding constant study and technology expertise. Thus the advertising industry is seeing the rise of technology consultants to help marketers adapt to these changes.

Two recently established companies are Wolzien LLC, established in 2005 and Publicis, a French ad-agency who in the 1st quarter of 2006 launched a consulting firm to advise marketers on emerging the digital technologies.

Wolzien’s founder is a 58-year-old former media analyst at Sanford C. Bernstein & Co. He “has real-world experience in the media business, having worked at NBC as a producer and corporate executive at NBC News, as well as a senior VP of cable and business development. As an analyst, he developed a reputation for noticing phenomena before they developed into full-blown trends” (Steinberg, para. 3, 2006).

Ms. Wolzien states that the consumer is being able to watch programs and content everywhere they want, for nothing. Media companies and advertising agencies are figuring out how to provide a sort of consistent approach across multiple platforms as we have moved to a world of aggregation, rather than one of direct delivery across a single platform, and advertisers have to be versed in all of these different things (Steinberg, para. 6, 2006).

The new Publicis consulting firm dubbed, Denuo, will advise clients on the intersection of marketing and new technologies. This comes at a time when advertisers are struggling to keep up with new technologies that are rapidly changing advertising. Denuo will not only offer advice but it will design marketing programs. It is also going to invest in new technology start-up companies in hopes it will give the consulting firms a better understanding of new technologies (Vranica, para. 2, 2006).

**Conclusion**

The landscape of advertising has vastly changed over the past few years due to rapidly changing technologies; i.e. VoIP, wireless delivery, digital hand held devices, etc. Advertisers have
had difficulty creating appropriate content material to suit these ever changing new devices and the consumers who use them. These mobile devices are used by consumers who determine what they listen or view and when they do it. They are mostly a generation who want to be entertained. Marketers are struggling to adapt to this new environment and many of their advertising trials’ on these new devices have not been as successful. It will take careful experimentation and perhaps outside expert advice to create ads that will be effective and which will not alienate the consumers.

There probably will be an increasing number of advertising consultants with technology backgrounds who can evaluated the technology changes and help advertisers use this technology in the most effective way.

Large Web companies, like Google, who have already started moving into multiple platforms and who have particularly targeted the smaller businesses for growth will likely be successful. Local merchants and media delivers who can take advantage of the world and particularly their local markets using these new technologies can be successful: but we have entered a fast paced moving world created by technology and no one can afford to “not keep up” even those who have been the experts in advertising.
References


An Explanation of Price Determination

Adil H. Mouhammed, University of Illinois at Springfield

ABSTRACT

This paper examines price determination by using income shares within an environment of economic interdependence. Various economists from Cantillon, Quesnay, Marx, and Veblen to Leontief have made significant contributions explaining interdependence between economic sectors. Instead of using the neoclassical theory of price determination, this paper utilizes an input-output model whose components are technological coefficient matrix, money wages, and returns on capital to explain the process of price determination in various economic sectors. The paper concludes that money wages and capital returns provide a very important explanation not only to price determination but also to inflation, unemployment, and stagflation.

KEY WORDS: Interdependence, inflation and stagflation, Income share, Innovation, Power, Cantillon, Marx, Veblen, Schumpeter, Leontief.

1. INTRODUCTION

Price theory provides the basic foundations of economics, aiming at the determination of prices of economic resources and commodities in a market economy. Simply, these prices are determined by supply and demand. For the commodity market the classical theory has explained the supply-side of the market, where normality suggests that as production increases total cost and marginal cost will rise, assuming the existence of increasing cost condition. For a fixed cost industry, as production increases, cost of production will stay constant. Consequently, for a normal case, the supply curve can be derived to show a positive relationship between the price of a commodity and the quantity supplied. The marginal theory of the Austrian school suggests that prices are explained by marginal utility. As the consumption of a product increases, the additional utility obtained will be diminished. Hence, the demand curve shows a negative relationship between the price of the commodity and the quantity demanded. Marshall’s contribution was very important in this context, because he was able to combine the classical and the marginal theories for providing the mechanism according to which prices are determined by supply and demand.

Many economists have argued that some prices can be determined by using the tools of a perfect competitive market, but other prices are determined by corporations by using market power and production conditions. Galbraith (1973), among many other economists, contends that the American economy consists of two sectors. The first is the competitive sector, where Marshall’s analysis can be used for determining competitive flexible prices. This sector however reflects no market power, and all firms are small competitive and powerless firms. The second is the sector of large corporations (or the oligopolistic sector), where other mechanism is employed for setting inflexible downward prices: they increase rapidly but decline slowly. This paper intends at demonstrating that prices of the corporate sector are determined according to market power; prices that reflect the basic conflict between capitalists and other social groups called working people. The conflict is basically on income shares, where the working people aim at obtaining higher wages, and the capitalists aim at obtaining higher profits (or actually surplus value which includes profit, interest, and rent). Higher wages allow working people to consume more, and higher profits allow capitalists to accumulate more. Capitalists also aim at increasing profits for enhancing their wealth and power. Accordingly, working people and capitalists have contradictory objectives creating a class war and undermining democracy.

To achieve the goal of this paper, an input-output model developed by Leontief (1986) for analyzing interdependence among economic sectors is employed to demonstrate the process of price determination.
through social conflicts on income shares between working people and capitalists, a social way that Leontief may not have had in mind in his penetrating work. Section 2 of this paper provides a condensed review of the most important literature on economic interdependence, and section 3 provides the mechanism of prices determination using the idea of interdependence among economic sectors. Conclusions are provided in the last section.

2. REVIEW OF SOME IMPORTANT LITERATURE

A basic idea of input-output may have been started by Cantillon (1680-1734) who provided the necessary background for the Quesnay’s Tableau. Cantillon (1931: 125-26) states:

Cash is therefore necessary, not only for the rent of the Landlord...but also for the City merchandise consumed in the Country....The circulation of this money takes place when the Landlords spend in detail in the City the rents which the Farmers have paid them in lump sums, and when the Entrepreneurs of the Cities, Butchers, Bakers, Brewers, etc. collect little by little this same money to buy from the Farmers in lump sums Cattle, Wheat, Barley, etc.

Clearly, Cantillon shows that a capitalist economy has three classes: farmers, landlords, and entrepreneurs. The circulation of income starts when farmers pay the landlords rent for the use of farm land. Landlords in turn spend rents in the city to buy commodities from producers: the entrepreneurs. Those entrepreneurs use the money received from the landlords to purchase commodities from farmers such as cattle, wheat, etc. Hence, the circulation among these classes represents interdependence among producing and consuming economic sectors.

Francois Quesnay constructed the Tableau Economique in 1758 for the king of France. He divided the national economy into three sectors or classes. Farmers, where nature produces the surplus, were the productive class because they were able to produce economic surplus. But the farm land was owned by landlords, an essential part of the unproductive classes, and the farm production must be able to satisfy farmers’ needs, the landlords, and the other parts of the unproductive (sterile) classes consisting of merchants and manufacturers. According to Quesnay, farmers start the production cycle by producing the total annual gross farm production. Part of this total is deducted as expenses of production, which reflects the intermediate cost of inputs used to produce the farm production. What is left of the output is the final part which is food for sale. This is called the net farm product: the value of production minus the expense of production spent by farmers. Landlords start the cycle from the rent they receive from the previous year's cycle. Merchants and manufacturers also start with income available from the previous year. Thus, landlords purchase manufactured goods and farm products from manufacturers and farmers. Farmers use the revenue they receive from landlords to purchase manufactured commodities from manufacturers. Now, the unproductive classes of merchants and manufacturers receive revenue from landlords and farmers. The classes of manufacturers and merchants utilize the revenue received to purchase food and raw materials from farmers. The cycle continues again as the net product circulates among the three classes.

What is interesting about the Tableau is that the manufacturing class is left with no goods of its own for consumption. Brue and Grant (2007: 39) argue that Ronald Meek suggested that the manufacturing class is small relative to farmers and accordingly does not need all the intermediate Inputs and the food it purchases from farmers. The extra food may be exported by this class in order to obtain imported goods. Brue and Grant (2007: 39) correctly contend that the Tableau provided the background for the national income accounting. The Tableau also reflected the idea of general equilibrium and economic interdependence, an idea that Leontief utilized to develop the input-output model.

Marx (1967) uses a two-sector model to analyze the simple and the extended processes of capitalist reproduction. The first sector produces capital goods, and the second sector produces consumption goods. The simple process of reproduction shows an economy without accumulation, indicating a strong economic interdependence between these two economic sectors. Workers and capitalists of both sectors
must spend their income (money wages and surpluses) to purchase the output of the second sector (or consumption goods). The output of the first sector (or capital goods) must also be purchased by both sectors. Consequently, the total production is realized (or sold). Similarly, the extended process of reproduction shows a strong economic interdependence between the two sectors and net investments. In this process the new investments in the economy should be greater than the depreciation of the two sectors, because these extra (or net) investments will be used to enlarge production. Income of the first sector must also be greater than the investment of the second sector. Hence, the total output is realized.

Walras (1954) develops the general equilibrium model, demonstrating a cohesive interdependence between all markets of goods and services as well as economic resources. Essentially, these markets are linked to determine the equilibrium prices and quantities of all these goods and resources. If a change occurs in one market, the resulting change will create a sequence of changes, generating many other changes in all interdependent markets until the equilibrium condition is reached again. For the mathematical development of the general equilibrium model, Schumpeter (1954) thinks that Walras was the greatest economist. But Walras's mathematical representation of general equilibrium covers the interaction between various social groups, and eliminates social conflict among them. Clearly, his model helps economists to think of economic interdependence as a tool for determining prices and quantities, which is abstracted from social conditions

Veblen (1923) provides an analysis showing the interdependence among economic sectors when he analyzes the industrial system. This system is efficient with comprehensive interdependent working parts. These parts are connected by feeding each other in a way that one part cannot work efficiently without the working of the other part. This system is similar to an engine that does not work properly if one part is deficient. Indeed the industrial system is like a human body that does not work productively if one part is hurting. Veblen (1964: 52) defines this type of industrial system as follows:

[The industrial system] is a comprehensive system of interdependent working parts, organized on a large scale and with an exacting articulation of parts,—works, mills, railways, shipping, groups and lines of industrial establishments, all working together on a somewhat delicately balanced plan of mutual give and take. No one member or section of this system is a self-sufficient industrial enterprise, even if it is true that no one member is strictly dependent on any other one. Indeed, no one member or section, group or line of industrial establishments, in this industrial universe of the new order, is a productive factor at all, except as it fits into and duly gives and takes its share in the work of the system as a whole.

For example, in America this inter-industry linkage reflects three types of industry Veblen analyzes, and no productive industrial system is found unless these industries are productive as a whole, supplying products to each other and demanding products from each other. The stratifications of the productive industrial system (Veblen 1923: 233) are the staple (key) industry, the secondary (manufacturing) industry, and agriculture. A key industry such as the steel industry, “where free competitive production has ceased,” commands the natural resources and provides the basic support to other industries: “those lines of production on whose output of goods and services the continued working of the industrial system as a whole depends from day to day” (Veblen 1923: 77). The secondary industry, manufacturing, changes the crude supplies and services of the key industries into useful, consumable goods to be distributed to meet the current needs of the market. The third industry is agriculture from which “civilized peoples draw their livelihood and on which civilized life depends” (Veblen 1923: 241). Agriculture provides goods for human consumption and supplies inputs to the manufacturing industry to produce other goods. In addition, agriculture provides a large market for credit and means of production.

3. PRICES IN THE OPEN INPUT-OUTPUT MODEL

The input-output model reflects the economic interdependence among the producing and consuming sectors of an economy, and aims at determining impacts and prices by combining sectoral interdependence and social interaction among various social classes. The model also provides
explanations for inflation and the business cycle. For a number of economic sectors (say n sectors), the total production is \( X_i, i = 1, \ldots, n \), (or in matrix notation \( X \) is a column of sectoral production); the technological coefficient matrix is \( A \); and a column of final demand \( Y \), which is equal to the final value of goods and services. (Sectoral value added is equal to total sales minus total value of intermediate inputs. Total production \( X \) is equal to the total intermediate inputs (demand) plus final demand). Mathematically, this sectoral relationship can be stated as

\[
(AX - X) = Y
\]

or

\[
X = (I - A)^{-1}Y
\]

That is to say, sectoral production \( X \) is related to final demand \( Y \) through \((I - A)^{-1}\), and the latter matrix is actually a matrix of sectoral multipliers. This input-output model is based on various assumptions such as no joint production; constant returns to scale; no external economies and diseconomies; and fixed coefficients production function which reflects L-shaped isoquant.

The transaction table of the input-output model is usually measured by constant prices. But if these interindustry flows are measured by physical units rather than monetary units, one can derive the output price for each economic sector (Leontief 1986: 24-27). For example, for a two-sector economy, the technological matrix \( A \), which is measured in physical units, can be written as

\[
A = \begin{bmatrix}
a_{11} & a_{12} \\
a_{21} & a_{22}
\end{bmatrix}
\]

Let the prices of these two economic sectors per unit of output be represented by vector \( P \), which has the following form:

\[
P = \begin{bmatrix}
p_1 \\
p_2
\end{bmatrix}
\]

If the transpose of \((I - A)\) is multiplied by the price vector \( P \), and if the outcomes are subtracted from \( P_1 \) and \( P_2 \), assuming the final result is equal to vector \( V \), we obtain

\[
\begin{align*}
p_1 - a_{11}p_1 - a_{21}p_2 &= V_1 \\
p_2 - a_{12}p_1 - a_{22}p_2 &= V_2
\end{align*}
\]

These equations indicate that the prices of the two products produced by the two economic sectors minus the costs of the intermediate products (or inputs), which are paid by the two sectors, must be equal to the value added (\( V_1 \) and \( V_2 \)) per unit of output. But the value added per unit of output consists of wages, interest on capital, taxes, and the like. In short, one can write the previous argument in matrix notations as

\[
(I - A)^\top P = V
\]

therefore,

\[
P = (I - A)^\top V
\]

As it has been mentioned, vector \( V \) consists of several payments to various exogenous sectors, and these payments can be aggregated into two components. The first is total wage \( (wL) \), where \( w \) is the wage rate, and \( L \) is the quantity of labor available. Veblen thinks that the wage rate is determined by bargaining between capitalists and workers, a process that favors the former class. That is to say,
capitalists always pay workers wages lower than their productivity to a particular firm's revenue. In Marx's terminology, capitalists create profits (surplus) when they initially employ workers. The second component is the total return on capital ($rB_t$), where ($r$) and ($B_t$) are the rate of return (or the price of capital) and the quantity of capital, respectively. One should note that ($B_t$) is actually a matrix of capital stock coefficients, whose columns indicate the physical capital requirements per unit of output. The rate of return ($r$) can be determined by several variables such as prices of capital goods; price of output and domestic and foreign market demand; degree of monopoly power; prices of materials and of imported intermediate goods; productivity and efficiency of labor; labor cost; transportation cost; managerial efficiency; taxes, interests, regulations, and insurance premiums; technological progress and innovations, and the rate of firm's productive capacity utilization (Mouhammed 2006: 171-72). Consequently, the above equations can be rewritten as

$$(I - A_t')P = V = wL + rB_t'P = W + rB_t'P$$

Or

$$(I - A_t' - rB_t')P = W$$

Solving for ($P$), the price vector, we obtain

$$P = (I - A_t' - rB_t')^{-1}W$$

As an example, the physical technological and capital coefficient matrices for a two-sector economy are

$$A = \begin{bmatrix} .20 & .25 \\ .32 & .35 \end{bmatrix} \quad \text{and} \quad B = \begin{bmatrix} 0.05 & 0.08 \\ 0.11 & 0.13 \end{bmatrix}.$$ 

We can find the sectoral prices if the rate of return is ($r = 15\%$) and total wages ($W$) is equal to

$$W = \begin{bmatrix} $30.00 \\ $25.00 \end{bmatrix}.$$ 

Using the last equation, we obtain

$$P = \begin{bmatrix} 1 & 0 \\ 0 & 1 \end{bmatrix} \begin{bmatrix} 0.20 & 0.32 \\ 0.25 & 0.35 \end{bmatrix} \begin{bmatrix} 0.05 & 0.12 \\ 0.08 & 0.13 \end{bmatrix}^{-1} \begin{bmatrix} 30 \\ 25 \end{bmatrix}$$

$$P = \begin{bmatrix} 0.80 & -0.32 \\ -0.25 & 0.65 \end{bmatrix} \begin{bmatrix} 0.0075 & 0.0165 \\ 0.012 & 0.0195 \end{bmatrix}^{-1} \begin{bmatrix} 30 \\ 25 \end{bmatrix}$$

$$P = \begin{bmatrix} 0.7925 & -0.3365 \\ -0.262 & 0.6305 \end{bmatrix}^{-1} \begin{bmatrix} 30 \\ 25 \end{bmatrix}$$

$$P = \begin{bmatrix} 66.408 \\ 67.246 \end{bmatrix}.$$
which are the required sectoral prices.

Suppose that the rate of return on invested capital increases from (15) to (25) percent; assuming everything else is constant, what will the prices be? To find the prices we multiply matrix \((B^t)\) by (0.25) and repeat the same procedure, which yields

\[
P = \begin{bmatrix}
1.573423 & 0.885449 \\
0.687974 & 2.006593
\end{bmatrix} \begin{bmatrix}
30 \\
25
\end{bmatrix} = \begin{bmatrix}
69.33893 \\
70.80407
\end{bmatrix}.
\]

As can readily be seen, the sectoral prices are increased to higher levels when the rate of return on capital increases from (15) to (25) percent. Since capital and its rate of return are associated with the capitalists, the owners of means of production, it can be argued that the capitalists will be better off economically when the rate of return increases. But as the rate of return increases, one can eventually expect a higher rate of inflation to occur, or what Keynes (1930) calls profit inflation.

As prices of commodities and services rise due to the increases in the rate of return on capital, real wages (or the purchasing power) of the working people will decline. This reduction encourages unions to bargain for higher money wages, assuming unions do not suffer from money illusion: the failure to perceive that a monetary unit, such as the dollar, shrinks and expands in value. If unions were able to raise wages in the two sectors (industries) to ($40) and ($30), respectively, the new prices will be

\[
P = \begin{bmatrix}
1.573423 & 0.885449 \\
0.687974 & 2.006593
\end{bmatrix} \begin{bmatrix}
40 \\
30
\end{bmatrix} = \begin{bmatrix}
89.2 \\
87.2
\end{bmatrix}.
\]

Not only do the working people through unions try to raise their wages during a period of a higher rate of inflation, but bankers and financiers try to increase interest rates. This is because higher price level will deteriorate the purchasing power of their loans. As creditors bankers and financiers will incur losses on their loans; consequently, they will have to raise interest rates to keep the purchasing power of their loans constant. Higher interest rates, however, will reduce profitability and will kill the economic boom. Correctly, Schumpeter (1934: 210) points out, “Interest…is a kind of tax on entrepreneurial profit.” In the United States of America, when inflation rate rises, the Federal Reserve Bank usually responds by increasing the short term interest rate, or the federal funds rate. But higher rates of interest will reduce consumption and investment expenditures. Hence, the rate of unemployment will rise and GDP will decline, a phenomena that has been called stagflation (Robinson 1979).

If \((W)\) rises and \((P)\) declines, profit, or capitalist income share, must decline, assuming technology is fixed. That is, capitalists have to finance the increased wages by giving part of their income share. It is reasonable to state that the capitalists will not continue doing so. Ricardo (1973) reached the same conclusion when he pointed out that if money supply is fixed and prices of commodities cannot increase, part of the profit has to be paid to compensate for the increased wages. The situation becomes worse when wages increase but the prices of commodities decline. This is because this condition requires a larger cut in profits to finance the increased money wages.

The gist of foregoing analysis is that increased prices and inflation are power (or social) phenomena (Leontief 1979: 50), because price increases are generated by profit inflation, which will trigger wage increases that reinforce the original increases in prices. Keynes (1930) argues that profit inflation is the best way for increasing the wealth of nations. Accumulation will continue as a result of slowly rising wages, and prices will rise again, which will encourage capitalists to invest and to increase production for obtaining more surplus. It is true that capitalists are aiming at higher profits and surplus, but wages have to increase in order for the working people to purchase the output to enhance their standard of living.
Indeed, wages always rise during an economic expansion, and Marx (1967), Veblen (1904), and Schumpeter (1934 and 1964) confirmed this proposition before Keynes.

This price-wage spiral cannot continue for a long period. As an example, Veblen (1904 and 1923) contends that, on one hand, as wages rise and productivity slows down during an expansionary phase of the business cycle, the cost per unit of output will rise. On the other hand, prices will decline due to the technological advance accomplished during the economic boom, which provides markets with huge amounts of products. Profitability will decline and many companies will encounter difficulties in paying their debts and interest payments. These payments create a disastrous liquidating condition for many firms, particularly when the real values of their debts rise as a result of the decline in price level, or the appearance of what Fisher (1933) calls the deflationary condition. These facts describe very well the American economy during 1970-2001.

Similarly, Schumpeter (1934 and 1964) contends that during the early period of the prosperity phase of the business cycle, the new innovating firms generate a higher demand for economic resources which must come from other industries. Prices of consumer goods start rising and firms start making profits. At a later time the innovative firms start selling new products at reasonable prices, reflecting the economic power of these innovative enterprises. Given the low cost of production, the reasonable prices will generate higher revenues and surpluses which include profits.

This profit, however, is temporary. This is because some older firms become adapted to the new conditions and innovations and will be able to imitate (or copy) the methods and the products of the leading innovative enterprises. On the one hand, demand for economic resources will rise, so will their prices and the cost of production. Cost per unit of output will increase. On the other hand, the large volume of production will lower the prices, as firms lose their economic power for setting higher prices for their products. Consequently, as costs rise and revenues decline, profits will be eliminated, and liquidation will follow. Pessimism emerges and the capitalist economy moves toward a recession or a depression. Revival will start again after new swarms of innovations are initiated and after enterprises have reestablished their economic power for setting higher prices for production whose cost is low. The American economy of the 1990s provides an excellent vindication for Schumpeter’s theory of the business cycle which started as a result of the new innovations of information technology.

4. CONCLUSIONS

The basic conclusions of this paper are the following. The first conclusion is that the Leontief input-output model, which is a fundamental outcome of various contributions made by economists over different periods of time, can be used to show the social conflict on income shares and their role in price determination through cohesive interdependent economic components of an efficient system. Working people fight for more wages, and capitalists fight for more returns on their capital.

The second conclusion is that price determination is rooted in sociology. Social conflicts generated by inequality of power and wealth create higher prices and inflation, moving the capitalist system toward a crisis when enterprises lose their market power in setting higher prices of commodities. Consequently, it can also be concluded that crises and depressions are essential characteristics of capitalism, which cannot be eradicated under capitalism.

REFERENCES

ONLINE FEATURES OF THE TOP 100 U.S. RETAILERS’ WEBSITES

Tulay Girard
Penn State Altoona

M. Meral Anitsal
Tennessee Tech University

Ismet Anitsal
Tennessee Tech University

Abstract

In this paper, web site features of the top 100 U.S. retailers are analyzed and compared. Forty-nine web site features are first classified into categories—product, distribution, promotion, price, company, and customer service. Then, each online feature was dichotomously coded based on whether or not each web site contained the feature. The analysis involved mean comparisons of the revenues, earnings, and number of stores between the retailers’ web sites that contained the features and those that did not. The findings indicate that the retailers that implemented the key features on their web sites achieved significantly higher earnings than those that did not implement the key web site features. The number of stores was also found to be significantly different between retailers that do and do not implement certain features. Managerial implications are discussed.

Introduction

According to the latest report released by the U.S. Census Bureau, online retail sales in the United States reached 3 percent of overall U.S. retail sales in the 4th quarter of 2006 (http://www.census.gov/mrts/www/ecomm.html). Although this percentage of the estimated online U.S. retail sales seems small, online retailing is becoming much more important as online sales are growing by an annual rate of 25 to 30 percent. Growing importance of online business-to-consumer retailing results from the increased number of online users, who in turn stimulate online sales. It also results from the increased number of broadband or wireless connections by Internet users. According to a recent report released by e-Marketer, there were approximately 250 million broadband households worldwide at the end of 2006, out of which 54.6 million households resided in the U.S. (Macklin 2007). The growth of broadband adoption encourages e-tailers to incorporate interactive images and short videos to promote the products on their web sites. Properly run and designed web sites help increase consumer satisfaction with online purchase experiences. A recent study, conducted by Allurent, reports that 82 percent of shoppers would be less likely to return to a site where they had a frustrating shopping experience. Approximately one third of the shoppers stated that a frustrating experience when
shopping online would make them less likely to buy at the retailer's physical store (http://www.e-tailing.com/newsandviews/facts.html). Based on a 2003 nationwide Customer Experience survey results of a cross-section of 1,100 Internet users conducted by Genex/Synovate, 65 percent of e-shoppers indicated that they would not shop on a poorly designed web site, and 30 percent indicated inferior site would keep them away from even offline stores (Genex 2003).

In today’s competitive and mature online environment, effective implementation of the web site tools and contents by e-tailers is an ongoing challenge for even large retailers. Although many academic studies identified effective web site attributes that make the sites attractive and lead to user performance (Tan and Wei 2006; Yeung and Lu 2004; Rosen and Purintan 2004), no research study could be found that investigated the role key online features play on the objective business performance measures such as revenues, profits, and number of stores. With this concern, the authors first identify the key online features from the literature that enable large retailers (i.e., Wal-Mart, Target) to satisfy online shoppers. Second, they analyze 100 top large retailers’ web sites such as Wal-Mart and Home Depot that were listed in Stores magazine to see if the retailers implement the identified key features. Third, the authors compare the performance measures such as revenues, profits, and number of stores of the e-tailers that do implement the key web site attributes to those that do not. The findings provide valuable insights to retailers and academics with regard to which of the online key features play a significant role in retailer’s performance.

The next section presents relevant literature that identifies online features which contribute to effective web design and evaluations. Methodology, data analysis and results sections are followed by discussions and suggestions for future research.

**Literature Review**

Understanding the fact that web sites are important aspects of organizations’ Internet strategy, the most current research studies have focused on identifying and understanding how web design elements such as content and functionality affect customer loyalty to a web site (Mithas et al. 2007), relationship between accessibility and popularity of web pages (Yen 2007), and the functions, such as control, convenience, creativity, convergence, and community, that help e-tailers differentiate their web sites (Freedman 2007). These research studies provide valuable insights pertaining to what makes a web site effective to increase traffic and build loyalty. For example, Mithas et al. (2007) find that information-oriented web sites create stronger customer loyalty with web site content than do transaction-oriented web sites. However, transaction-oriented web sites create stronger customer loyalty if they are good at functionality. Mithas et al. (2007) also find that transaction-oriented web sites score higher on mean customer loyalty than do information-oriented web sites.

As the content that provides relevant information is recognized as a key feature, shoppers’ ability to find information becomes another important content related feature. Yen (2007) states that the ability to allow information to be retrieved from a web site in
an efficient and effective manner is a critical success factor of e-commerce. Web site structure and organization affect such ability, which can be measured in terms of accessibility and popularity of web pages (Yen 2007). In addition, retailers should also provide special offers, varieties of products, and varieties of brands and models on their web site as the motivation factor for customers to re-visit the site (Katerattancakul 2002). To make it easy for shoppers to find relevant information on product, promotion, and location, web sites provide site maps, search, and store finder features.

Freedman (2007) points out the importance of offering functionality for transactions which includes control functions that enable shoppers to search for and customize products. Freedman also highlights the convenience functions that simplify online shopping by accepting preorders for new products (i.e., books) that are not yet on the market, allowing shoppers to return an item to the nearest store, and to see recently viewed products by the shopper displayed on the web site’s home page appearing on every page as shopper continues to browse the site, as well as the products added in the shopping cart including item pricing and a running total.

The creativity function enables e-tailers to up-sell or cross-sell complementary or substitute products by providing the shopper recommendations for the items placed in the shopping cart. As the Internet users’ adoption of broadband connection increases, use of multimedia such as streaming videos by e-tailers is also growing. Other aspects of convergence include the ability to “see a product larger or from different angles, change its color, check out specs and options, view an interactive buying guide, read articles and reviews, browse among similar products, show the item to a friend via e-mail” (Freedman 2007, p. 34). Lastly, community functions include blogs, community boards, and refer/e-mail a friend features that promote social networking applications. Fry (2006) points out that Web 2.0, a second generation of Web sites use new technologies to change the experience for the consumer. With interactive tools such as AJAX, tagging, and other forms of instant consumer feedback, e-tailers provide shoppers online social networking and collaboration. The new technologies re-create the in-store experience, encourage customer feedback, and create customers that spread the word about its products and brands (Fry 2006).

Katerattancakul (2002, p. 6) states that “In the highly competitive Internet commerce environment, the companies that offer the best customer experiences are the ones that will gain trusts from customers and are more likely to succeed.” To increase trust in their web sites, retailers encrypt the personal and financial information, which can be identified with a lock icon at the bottom of an Internet browsers’ window.

While numerous studies identified online features that make web sites effective, others attempted to categorize the online features to evaluate a web site’s quality. Donthu (2001) identified two major groups of online features--site-related and vendor-related factors. Site-related factors include ease of use (i.e., search and site map), aesthetic design (i.e., multimedia and color graphics), processing speed (i.e., online processing and interactive responsiveness), and security (i.e., personal and financial information). Vendor-related factors include competitive value (i.e., price comparison, shipping cost, price match
policy), *clarity of ordering* (i.e., order cancellation, tracking, delivery time, return policy), *corporate and brand equity* (i.e., company information, products/services on the site), *product uniqueness* (i.e., distinctiveness of product/service offerings and variety), *product quality assurance* (i.e., product safety information, customer reviews).

When shoppers visit a retailer’s web site, they typically look for information on a specific subject or product/service, or engage in a particular transaction such as purchasing products/services. A web site should meet the objectives of a firm with regard to its marketing mix and the elements crucial to its positioning. To effectively market the products/services, the design, content, and function of the web site should be in line with the firm’s objectives and allow such activities to meet the objectives. Therefore, drawing from the literature (Donthu 2001; Katerattancakul 2002; Fry 2006; Freedman 2007; Mithas et al. 2007), the effective online features are categorized into six groups: product/service, price, promotion, distribution, company, and customer service (Table 1).

<table>
<thead>
<tr>
<th>Product Distribution</th>
<th>Promotion</th>
<th>Price</th>
<th>Company</th>
<th>Customer Service</th>
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<tbody>
<tr>
<td>Site map</td>
<td>Store finder</td>
<td>Gift cards</td>
<td>Shipping cost</td>
<td>About us</td>
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<tr>
<td>Search</td>
<td>Shopping cart</td>
<td>Company</td>
<td>Price match policy</td>
<td>Careers</td>
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<td>Encryption</td>
<td>Credit card</td>
<td>Price comparison</td>
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<td>Return policy</td>
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<td>Investor info.</td>
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<td>Special offers</td>
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<tr>
<td>Product safety info.</td>
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<td>Customer reviews</td>
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<td>Customer account</td>
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<td>Cust. feedback</td>
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<td>FAQ</td>
</tr>
</tbody>
</table>

**Table 1**

**Online Feature Categories on the Top 100 U.S. Retailer Web Sites**

**Method**

The performance data were gathered from the annual report of top 100 U.S. retail companies by the Stores magazine of the National Retail Federation (Schulz 2005). In a descending order list, the performance data provided the 2004 revenues, earnings and number of stores of those top 100 retailers. The web sites of the retailers in the list were analyzed by the authors based on forty-nine web site attributes drawn from the prior literature on effective web design (Table 1). Each of the 49 variables on the web site of the top 100 retailers was coded dichotomously by examining whether these web sites contained the attributes. If the attribute existed on the web site, that variable was coded as 1 and if not, coded as 2.
Analysis and Results

Table 2 presents the frequencies of online features found that are the most common and most uncommon on the 100 top U.S. retailers’ web sites. The most common features found were company information, careers, site map, contact information, privacy policy, store finder, and charitable contributions. The most uncommon features included supplier testimonials, price comparison, free samples, customer reviews, product safety information, price match policy, and alliance links or information. These most common and most uncommon features will be discussed later in the paper in comparison to the findings from the significant mean differences of the retailers that do and do not have the online features on their web sites under the four marketing mix categories.

Table 2
Most Common and Uncommon Online Features on the Top 100 U.S. Web Sites

<table>
<thead>
<tr>
<th>Feature on Retailer’s Web Site</th>
<th>Exists</th>
<th>Does not Exist</th>
<th>Feature on Retailer’s Web Site</th>
<th>Exists</th>
<th>Does not Exist</th>
</tr>
</thead>
<tbody>
<tr>
<td>About us</td>
<td>97</td>
<td>3</td>
<td>Alliance links</td>
<td>18</td>
<td>82</td>
</tr>
<tr>
<td>Careers</td>
<td>97</td>
<td>3</td>
<td>Price match policy</td>
<td>10</td>
<td>90</td>
</tr>
<tr>
<td>Site map</td>
<td>94</td>
<td>6</td>
<td>Product safety info.</td>
<td>10</td>
<td>90</td>
</tr>
<tr>
<td>Contact us</td>
<td>93</td>
<td>7</td>
<td>Customer reviews</td>
<td>5</td>
<td>95</td>
</tr>
<tr>
<td>Privacy policy</td>
<td>90</td>
<td>10</td>
<td>Free samples</td>
<td>4</td>
<td>96</td>
</tr>
<tr>
<td>Store finder</td>
<td>90</td>
<td>10</td>
<td>Price comparison</td>
<td>2</td>
<td>98</td>
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<tr>
<td>Charitable contr.</td>
<td>78</td>
<td>22</td>
<td>Supplier testimonials</td>
<td>0</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 3 through 8 present the percentages, the average revenues, earnings, and number of stores in 2004 of the retailers that do and do not have the identified feature on their web sites in each of the six categories. Using independent samples t-test, the 2004 revenues, earnings, and number of stores of those retailers that do and do not have the identified feature on their web sites were compared. Even though means were reported, the comparison of means test was not performed in any category that had less than 20 data points.

The results in Table 3 indicate that majority of the retailers have Site Map (94%) and Search (73%) features under the product category. However, majority of the retailers do not have the Customer Reviews (95%), Product Safety Information (90%), Registry (79%), and Wish List (67%) features on their web sites. Fifty percent of the retailers have Learning Center feature on their web sites. The 2004 earnings of the retailers that have the Registry feature are significantly greater ($1.297 billion) than those of the retailers that do not have the Registry feature ($246 million) on their web sites at p=0.05 level. However, the number of stores in 2004 of the retailers that do not have the Registry feature are significantly higher (1,707) than those have the Registry feature (935) on their web sites at p=0.05 level.
Table 3

Product Related Online Features on the Top 100 U.S. Retailer Websites

<table>
<thead>
<tr>
<th>Feature</th>
<th>Percent of Retailers</th>
<th>2004 Revenues ($1,000,000)</th>
<th>2004 Earnings ($1,000)</th>
<th>Number of Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Exists</td>
<td>Does Not Exist</td>
<td>Does Not Exist</td>
<td>Exists</td>
</tr>
<tr>
<td>Site map</td>
<td>94</td>
<td>6</td>
<td>19,378</td>
<td>3,143</td>
</tr>
<tr>
<td>Search</td>
<td>73</td>
<td>27</td>
<td>15,278</td>
<td>26,853</td>
</tr>
<tr>
<td>Learning ctr.</td>
<td>50</td>
<td>50</td>
<td>27,048</td>
<td>9,759</td>
</tr>
<tr>
<td>Wish list</td>
<td>33</td>
<td>67</td>
<td>19,219</td>
<td>18,002</td>
</tr>
<tr>
<td>Registry</td>
<td>21</td>
<td>79</td>
<td>29,035</td>
<td>15,577</td>
</tr>
<tr>
<td>Prod. safety</td>
<td>10</td>
<td>90</td>
<td>97,105</td>
<td>9,659</td>
</tr>
<tr>
<td>Cust. reviews</td>
<td>5</td>
<td>95</td>
<td>5,130</td>
<td>19,102</td>
</tr>
</tbody>
</table>

Note: Bold items are significantly different at p = 0.05 based on the results of independent sample t-test.

The results in Table 4 indicate that majority of the retailers have Store Finder (90%), Shopping Cart (66%), Encryption of the Personal and Financial Information (60%), and Return Policy (58%) features under the distribution category. However, majority of the retailers do not offer Free Shipping (68%), Order Cancellation (64%), Order Tracking (51%), and Delivery Time Information (51%) features on their web sites.

The 2004 earnings of the retailers that have the Shopping Cart ($621 vs. $198 million), Encryption ($679 vs. $181 million), Return Policy ($684 vs. $172 million), Delivery Time ($737 vs. $203 million), and Order Tracking ($763 vs. $170 million), and Order Cancellation ($713 vs. $357 million) features are significantly greater than those of the retailers that do not have these features on their web sites at p=0.05 level. The number of stores in 2004 of the retailers that offer the Free Shipping feature are significantly higher (2,415) than those do not offer the Free Shipping feature (1,136) on their web sites at p=0.05 level.

Table 4

Distribution Related Online Features on the Top 100 U.S. Retailer Websites

<table>
<thead>
<tr>
<th>Distribution</th>
<th>Percent of Retailers</th>
<th>2004 Revenues ($1,000,000)</th>
<th>2004 Earnings ($1,000)</th>
<th>Number of Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Exists</td>
<td>Does Not Exist</td>
<td>Does Not Exist</td>
<td>Exists</td>
</tr>
<tr>
<td>Store Finder</td>
<td>90</td>
<td>10</td>
<td>19,564</td>
<td>7,96</td>
</tr>
<tr>
<td>Shopping Cart</td>
<td>66</td>
<td>34</td>
<td>24,712</td>
<td>6,158</td>
</tr>
<tr>
<td>Encryption</td>
<td>60</td>
<td>40</td>
<td>25,564</td>
<td>7,528</td>
</tr>
<tr>
<td>Return Policy</td>
<td>58</td>
<td>42</td>
<td>26,755</td>
<td>6,870</td>
</tr>
<tr>
<td>Delivery Time</td>
<td>49</td>
<td>51</td>
<td>19,418</td>
<td>17,429</td>
</tr>
<tr>
<td>Order Track</td>
<td>49</td>
<td>51</td>
<td>29,563</td>
<td>7,682</td>
</tr>
<tr>
<td>Cancel Order</td>
<td>36</td>
<td>64</td>
<td>36,097</td>
<td>8,451</td>
</tr>
<tr>
<td>Free Shipping</td>
<td>32</td>
<td>68</td>
<td>22,885</td>
<td>16,295</td>
</tr>
</tbody>
</table>

Note: Bold items are significantly different at p = 0.05 based on the results of independent sample t-test.
The results in Table 5 indicate that majority of the retailers offer Gift Cards (67%) features on their web sites under the promotion category. However, majority of the retailers do not offer Free Samples (96%), Sweepstakes (80%), Rebates (77%), Store Card (76%), Special Offers (75%), Coupons (74%), or Company Credit Cards (60%) on their web sites. The 2004 earnings of the retailers that offer the Company Credit Card ($932 million) are significantly greater than those of the retailers that do not offer the Company Credit Card ($198 million) on their web sites at p=0.05 level.

Table 5
Promotion Related Online Features on the Top 100 U.S. Retailer Websites

<table>
<thead>
<tr>
<th>Promotion</th>
<th>Percent of Retailers</th>
<th>2004 Revenues ($1,000,000)</th>
<th>2004 Earnings ($1,000)</th>
<th>Number of Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feature</td>
<td>Exists</td>
<td>Does Not Exist</td>
<td>Exists</td>
<td>Does Not Exist</td>
</tr>
<tr>
<td>Gift Cards</td>
<td>67</td>
<td>33</td>
<td>23,562</td>
<td>7,931</td>
</tr>
<tr>
<td>Co. Cr. Card</td>
<td>40</td>
<td>60</td>
<td>20,629</td>
<td>16,919</td>
</tr>
<tr>
<td>Coupons</td>
<td>26</td>
<td>74</td>
<td>33,937</td>
<td>12,946</td>
</tr>
<tr>
<td>Special Offer</td>
<td>25</td>
<td>75</td>
<td>47,244</td>
<td>8,790</td>
</tr>
<tr>
<td>Store Card</td>
<td>24</td>
<td>76</td>
<td>34,455</td>
<td>13,335</td>
</tr>
<tr>
<td>Rebates</td>
<td>23</td>
<td>77</td>
<td>18,782</td>
<td>18,290</td>
</tr>
<tr>
<td>Sweepstakes</td>
<td>20</td>
<td>80</td>
<td>16,460</td>
<td>18,890</td>
</tr>
<tr>
<td>Free Samples</td>
<td>4</td>
<td>96</td>
<td>78,759</td>
<td>15,889</td>
</tr>
</tbody>
</table>

Note: Bold items are significantly different at p = 0.05 based on the results of independent sample t-test.

The results in Table 6 indicate that majority of the retailers do not have the three features on their web sites—Price Comparison (98%), Price Match Policy (90%), and Shipping Cost Information before check out (53%) on their web sites under the price category. None of the performance data significantly differ between the retailers that do and do not have these features at p=0.05 level.

Table 6
Price Related Online Features on the Top 100 U.S. Retailer Websites

<table>
<thead>
<tr>
<th>Price</th>
<th>Percent of Retailers</th>
<th>2004 Revenues ($1,000,000)</th>
<th>2004 Earnings ($1,000)</th>
<th>Number of Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feature</td>
<td>Exists</td>
<td>Does Not Exist</td>
<td>Exists</td>
<td>Does Not Exist</td>
</tr>
<tr>
<td>Shipping cost</td>
<td>47</td>
<td>53</td>
<td>30,381</td>
<td>7,782</td>
</tr>
<tr>
<td>Price match</td>
<td>10</td>
<td>90</td>
<td>22,236</td>
<td>17,977</td>
</tr>
<tr>
<td>Price comparison</td>
<td>2</td>
<td>98</td>
<td>9,574</td>
<td>18,584</td>
</tr>
</tbody>
</table>

Note: Bold items are significantly different at p = 0.05 based on the results of independent sample t-test.

The results in Table 7 indicate that majority of the retailers provide About US (information about the company) (97%), Career Opportunities (97%), Charitable Contributions information (78%), Investor information (73%), Supplier information (50%) on their web sites features under the company category. However, majority of the retailers do not offer Supplier Testimonials (100%), Alliance Links (82%), information on Affiliate Programs (74%), or Subsidiaries (72%) on their web sites. Equal percent of
the retailers provide Supplier Information (50%). The number of stores of the retailers that provide Charitable Contribution (1,801), Investor Information (1,941), and Supplier Information (2,099) on their websites are significantly greater than those of the retailers that do not provide those features (640, 475, 992, respectively) on their websites at p=0.05 level.

Table 7
Company Related Online Features on the Top 100 U.S. Retailer Websites

<table>
<thead>
<tr>
<th>Company</th>
<th>Percent of Retailers Exists</th>
<th>Percent of Retailers Does Not Exist</th>
<th>2004 Revenues ($1,000,000) Exists</th>
<th>2004 Revenues ($1,000,000) Does Not Exist</th>
<th>2004 Earnings ($1,000) Exists</th>
<th>2004 Earnings ($1,000) Does Not Exist</th>
<th>Number of Stores Exists</th>
<th>Number of Stores Does Not Exist</th>
</tr>
</thead>
<tbody>
<tr>
<td>About Us</td>
<td>97</td>
<td>3</td>
<td>18,825</td>
<td>4,790</td>
<td>498,254</td>
<td>546,707</td>
<td>1,585</td>
<td>260</td>
</tr>
<tr>
<td>Careers</td>
<td>97</td>
<td>3</td>
<td>18,892</td>
<td>2,598</td>
<td>504,964</td>
<td>274,928</td>
<td>1,532</td>
<td>1,963</td>
</tr>
<tr>
<td>Charit. contr.</td>
<td>78</td>
<td>22</td>
<td>21,758</td>
<td>6,509</td>
<td>567,697</td>
<td>252,870</td>
<td>1,801</td>
<td>640</td>
</tr>
<tr>
<td>Invest. info</td>
<td>73</td>
<td>27</td>
<td>19,561</td>
<td>15,274</td>
<td>412,765</td>
<td>1,066,629</td>
<td>1,941</td>
<td>475</td>
</tr>
<tr>
<td>Supp. info.</td>
<td>50</td>
<td>50</td>
<td>29,007</td>
<td>7,801</td>
<td>732,751</td>
<td>260,400</td>
<td>2,099</td>
<td>992</td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>28</td>
<td>72</td>
<td>32,416</td>
<td>12,954</td>
<td>468,469</td>
<td>513,012</td>
<td>1,457</td>
<td>1,580</td>
</tr>
<tr>
<td>Affil. prog.</td>
<td>26</td>
<td>74</td>
<td>24,686</td>
<td>16,196</td>
<td>862,659</td>
<td>351,663</td>
<td>2,081</td>
<td>1,358</td>
</tr>
<tr>
<td>Alliance link</td>
<td>18</td>
<td>82</td>
<td>21,595</td>
<td>17,703</td>
<td>707,033</td>
<td>449,843</td>
<td>1,847</td>
<td>1,479</td>
</tr>
<tr>
<td>Supplier testimonials</td>
<td>0</td>
<td>100</td>
<td>-</td>
<td>18,404</td>
<td>-</td>
<td>499,421</td>
<td>-</td>
<td>1,546</td>
</tr>
</tbody>
</table>

Note: Bold items are significantly different at p = 0.05 based on the results of independent sample t-test.

The results in Table 8 indicate that majority of the retailers provide Contact US (contact information) (93%), Privacy Policy (90%), Email Signup Option (75%), Credit Reports (74%), Customer Service Information (71%), Login (70%), 1-800 Number (68%), Register (68%), FAQ (frequently asked questions) (65%), and Customer Account (64%) on their websites under the customer service category. However, majority of the retailers do not have International Web Sites (72%), or do not offer Newsletters (72%), Shopping Tips (72%), and Customer Feedback (65%) on their websites. The number of stores of the retailers that provide Charitable Contribution (1,801), Investor Information (1,941), and Supplier Information (2,099) on their websites are significantly greater than those of the retailers that do not provide those features (640, 475, 992, respectively) on their websites at p=0.05 level.
Table 8
Customer Service Related Features on the Top 100 U.S. Retailer Websites

<table>
<thead>
<tr>
<th>Customer Service Feature</th>
<th>Percent of Retailers Exists</th>
<th>Does Not Exist</th>
<th>2004 Revenues ($1,000,000) Does Not Exist</th>
<th>2004 Earnings ($1,000) Does Not Exist</th>
<th>Number of Stores Does Not Exist</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contact Us</td>
<td>93</td>
<td>7</td>
<td>19,384</td>
<td>5,376</td>
<td>521,832</td>
</tr>
<tr>
<td>Privacy Policy</td>
<td>90</td>
<td>10</td>
<td>19,944</td>
<td>4,540</td>
<td>534,837</td>
</tr>
<tr>
<td>Email signup</td>
<td>75</td>
<td>25</td>
<td>14,940</td>
<td>28,793</td>
<td>601,904</td>
</tr>
<tr>
<td>Credit Reports</td>
<td>74</td>
<td>26</td>
<td>23,175</td>
<td>4,822</td>
<td>551,476</td>
</tr>
<tr>
<td>Cust. serv. info.</td>
<td>71</td>
<td>29</td>
<td>22,848</td>
<td>7,522</td>
<td>569,913</td>
</tr>
<tr>
<td>Login</td>
<td>70</td>
<td>30</td>
<td>23,363</td>
<td>6,831</td>
<td>610,528</td>
</tr>
<tr>
<td>1-800 Number</td>
<td>68</td>
<td>32</td>
<td>24,729</td>
<td>4,962</td>
<td>659,180</td>
</tr>
<tr>
<td>Register</td>
<td>68</td>
<td>32</td>
<td>23,821</td>
<td>6,891</td>
<td>609,991</td>
</tr>
<tr>
<td>Customer acct.</td>
<td>65</td>
<td>35</td>
<td>22,069</td>
<td>11,595</td>
<td>559,814</td>
</tr>
<tr>
<td>FAQ</td>
<td>64</td>
<td>36</td>
<td>25,568</td>
<td>5,651</td>
<td>654,161</td>
</tr>
<tr>
<td>Cust. feedback</td>
<td>35</td>
<td>65</td>
<td>33,209</td>
<td>10,432</td>
<td>593,788</td>
</tr>
<tr>
<td>Int’l websites</td>
<td>28</td>
<td>72</td>
<td>24,248</td>
<td>16,131</td>
<td>961,655</td>
</tr>
<tr>
<td>Newsletter</td>
<td>28</td>
<td>72</td>
<td>18,707</td>
<td>18,286</td>
<td>876,744</td>
</tr>
<tr>
<td>Shopping Tips</td>
<td>28</td>
<td>72</td>
<td>17,852</td>
<td>18,618</td>
<td>696,874</td>
</tr>
</tbody>
</table>

Note: Bold items are significantly different at p = 0.05 based on the results of independent sample t-test.

Discussion

Drawing from the literature, the authors identified and categorized forty-nine online features into six groups—product, distribution, promotion, price, company, and customer service. They analyzed the 100 top U.S. retailers’ web sites for whether they offered the features or not. The 2004 performance data including revenues, earnings, and number of stores of these top 100 U.S. retailers were tested for significant differences.

The results presented in Table 3 suggest a possible relationship between having the Gift Registry feature and higher levels of earning. Gift Registry not only makes shopping convenient for family and friends to purchase the items registered, but enables retailers to up-sell or cross sell when visitors are browsing on the web site. The online features—Shopping Cart, Encryption, return Policy, Delivery Time, Order Tracking, and Order Cancellation Policy—listed under distribution category in Table 4 are e-commerce related and can be interpreted as they are significantly contributing to higher levels of earnings. Table 5 indicates that the offering of a company credit card also significantly contributes to earnings of retailers. It may not only provide financial benefits to the company and boost online volume for that retailer, but also help the customers to reduce anxiety for identity theft. The sample size of other promotion related options were small which negatively influenced the statistical power of the test. In general, positive effects of these features on earnings were still apparent. In Table 8, customer service related online features such as Credit Reports, 1-800 Number, and Frequently Asked Questions significantly relate to higher levels of revenues, earnings and number of stores. The successful retailers may be the ones that gain trust from customers by easing their burden of searching and finding information on their web sites. These sites not only provide the
necessary information, but also remind customers that they can be reached by traditional means when the customers need help.

In the Tables 3, 4, 7, and 8, the significant differences found in the number of stores that varied by the retailer that do and do not have Gift Registry (935 vs. 1,707), Free Shipping (2,415 vs. 1,136), Charitable Contributions (1,801 vs. 640), Investor Information (1,941 vs. 475), Supplier Information (2,099 vs. 992), and Credit Reports (1,925 vs. 466) also deserve attention. These findings may be interpreted as the greater the number of stores the retailer has, the more exposure they provide for the retailer to consumers. This may create more awareness about the activities of the retailer in the public domain. Further research is necessary to understand the relationship between the number of stores and these online features. For example, Free Shipping is a feature that is offered by online retailers. A retailer may need to reach a critical number of physical stores to make this feature cost effective. Unlike the research that focuses on what customers prefer to see and experience on a web site, this research is an attempt to explore which online features may relate to retailers’ success factors such as revenues, earnings and number of stores. It does not attempt to confirm any relationships; however, the findings warrant further investigations.

**Limitations**

This study used secondary data of the publicly-held companies. The data do not include many mail-order and web-based-only privately-held retailers that do not break out their online or offline performance information. In addition, the study analyzed secondary data that were not collected as part of an experimental design. Therefore, no control factors were established to allow the authors to build a theory. However, based on what is observed and reported in this study from the top 100 retailers’ web sites and the same retailers’ online and offline retail financial data provide insights for possible correlations that need to be tested in the future. It is important to understand that there may be other significant factors that affect a retailers’ performance. Although post hoc theorizing does not substitute for the “necessary process of theory refinement, revision, and reformulation”, preliminary observations from the environment create the opportunity for developing, and testing hypotheses (Pedhazur and Schmelkin 1991, p.185). Therefore, this study does not attempt to formulate or test any hypotheses.
REFERENCES


Acknowledgement

The authors are grateful to Kirsten Hassler and Candace Norris for their help in data collection process.
Administrative Grade Changes in a Public University: To “B” or not to “B”

Elizabeth J. Guerriero, J.D.
Associate Professor, Business Law

and

Bruce C. Walker, Ph.D.
Assistant Professor, Management

The University of Louisiana at Monroe

A Paper Prepared for Submission to
The 2007 Academic Business World International Conference

Abstract

In this paper, a scenario discussing a public university administration’s request for a professor to make a change to a student’s final grade is presented. The paper will discuss this situation in light of First Amendment rights, the right to free speech, public concern and a little used defense strategy known as qualified immunity. The paper presents court case findings and presents ideas to be considered whenever a faculty member feels that his or her First Amendment rights have been violated.
In this paper, I will describe the objectives of what we consider to be unique concerning the mission of the College of Business Administration at Butler University and how the capstone project in the six credit hour sophomore course in law and ethics furthers those objectives. Specifically, those objectives are to:

- Integrate the business curriculum and also incorporate the liberal arts into that integration.
- Operate under the theme of real life, real business.
- Require critical thinking by the students as an integral part of the course and capstone project.
- Develop ability in students to analyze current events and relate such events to the curriculum.
- Demonstrate the value of networking in real life.
- Teach students to communicate with decision makers as a key factor in the capstone project.
- Experience problem solving methods employed by decision makers applying the knowledge learned in law and ethics by having to critically analyze what was done or not done.
- Understand the reasoning process of determining what is ethical and what is not.
- Learn the essentials of our legal system and how ethics drives the law in our governmental system in the United States of America.

The specific capstone assignment is that each student must identify a decision maker (or makers) with two distinctly different situations. One of the situations must be an ethical dilemma in which the decision maker really didn’t know what was the correct course of action. The other situation must be a problem to which the correct result was known but the decision maker wasn’t sure at all of the methodology that was needed to accomplish the desired result. One of the two situations must involve group brainstorming in arriving at the solution. About one student in twenty will ask if he/she can use a third situation for the group brainstorming since the best two situations that the student wishes to write about did not include group brainstorming. The request is always honored if such a request seems to be reasonable. Actually, in answering student questions about possibilities, we openly acknowledge this latter situation as viable.
Our New Latin American Workforce: A Longitudinal Analysis on Pre-Departure and Post-Arrival Characteristics

Magdalena Rappl, Ph.D.
Professor of Economics

Abstract

The purpose of this project is to investigate the primary forces influencing the likelihood of Latin American migration. The secondary purpose is to document the transculturation process, beginning with the income and employment history of the international migrants, continuing with the migration process itself, and culminating with the country of destination adjustment process. The challenges to families associated with the decision to migrate vary depending on numerous factors such as age, distance, regional labor market developments, gender, family status, ownership of assets and wealth position, social and physical environments, government policies, type of profession or occupation, and many others. Section II summarizes these challenges in a general way, and contains a literature review of migration, mobility, and relocation studies.

The next step in this investigative paper consists of invoking the human capital investment model developed by Sjaastad (1962) and expanding it to acknowledge the significance of quality-of-life variables in the migration decision. Section III contains a qualitative model of international migration for Latin American households. This model separates work-related rewards into monetary and psychological clusters. Another noteworthy contribution is the inclusion of direct and indirect exchange costs. The author recognizes and incorporates non-work psychological exchange costs and work-related psychological exchange costs as well. Finally, a description of significant quality-of-life indicators deriving from pre-departure and post-arrival non-work environments is presented.
In Section IV, the author presents the results of a survey that addresses the work-related monetary and non-monetary rewards, the direct and indirect exchange costs, and the non-work psychological exchange costs, the work-related psychological exchange costs, and, finally, the pre-departure and post-arrival quality-of-life indicators associated with migration from Latin America, from the perspective of the international household. The last section contains the Summary and Conclusions.

The uniqueness of this study on Latin American immigration resides in the fact that the author: (1) develops and administers an in-house survey, (2) compiles and analyzes in-house longitudinal data, and (3) compares pre-departure and post-arrival data for Latin American and Caribbean country (LAC) immigrants in the area of earnings and living standards. This comparison for LAC immigrants is generally not possible, due to the absence of information on the pre-departure history.

The earnings paths that are presented here are both cross-sectional for cohorts and longitudinal for individuals. This stands in sharp contrast with most other studies which compare earnings of immigrants with earnings of American-born workers using already existing panel data.
Abstract
Research shows that there is value in having students participate in teamwork projects while in school to help them learn key skills that will enable their survival in future work environments. Organizing teams for businesses or college classes based on a variety of personality temperaments can strengthen a team’s performance and produce more effective teams. This paper presents a discussion of the writer’s experiences in using David Keirsey’s study of temperaments (free and available online at www.keirsey.com) as the basis for team membership selections in both online and regular classroom settings.
An Empirical Investigation into the Potential Relationship between Emotional Intelligence Levels and Production Results of Insurance Agents

Dan Hallock  
College of Business  
University of North Alabama  
Florence, Alabama  
Email: dehallock@una.edu

Rick Lester  
College of Business  
University of North Alabama  
Florence, Alabama  
Email: ralester@una.edu

Kerry Gatlin  
College of Business  
University of North Alabama  
Florence, Alabama  
Email: kpgatlin@una.edu

A proposal submitted for presentation at the 3rd Annual Academic Business World International Conference to be held in Nashville, Tennessee, May 2007
Abstract

An Empirical Investigation into the Potential Relationship between Emotional Intelligence Levels and Production Results of Insurance Agents

This exploratory research study is designed to investigate if relationships exist between emotional intelligence and various demographics and whether these relationships differed between the top producing insurance agents as compared to average and lower producing agents. This study is attempting to obtain 100 agents’ participation from a national insurance company with branches in Tennessee and Alabama. The company tracks production measures in numerous categories in order to evaluate agents using a scorecard approach. This study will determine if any significant differences exist in any dimension of EI between the various levels of production between agents.

Preliminary research questions/hypotheses have been established, the literature review is underway, the sample population has been identified, and data collection procedures have been developed. We intend to collect all data using a website set up to allow participants to access all scales from one location online.

The need for additional study in this area, especially the need to link emotional intelligence with moral intelligence, is driven by the trust clients must have with their agents. The results of our study may be useful for the sponsoring firm and increase the knowledge base regarding the characteristics of their successful agents.
Abstract

The classroom-as-organization teaching pedagogy has been used and written about numerous times over the past thirty years (e.g. Cohen, 1976; Clare, 1976; Obert, 1982). One particular variation of this method was presented by Gardner and Larson in 1987. They modified earlier iterations of the pedagogy to produce an excellent guide for teaching management courses. In the current paper the authors describe their successes and failures in implementing this pedagogy for students at both the junior course level (Principles of Management) and at the senior level (Capstone Simulation).
The Managerial MBA: Classroom Lab Experience

By Darrell Cockerham and Robert W. Service

Abstract

Recent articles in the popular press and pronouncements in well-read business books, a University’s attempt to revamp their MBA program and current experience in an MBA program, all caused us to pause and ask a tough question. Why must there continue to be so much talk of the need for new MBA approaches in today’s global environment of open and abundant information? It should be a foregone conclusion that the MBA is the terminal degree for practicing managers. As such, MBA programs must be fluid to be effective. Indeed, most of the current people in the workforce with MBA behind their names are managers practicing something other than Wall Streetism, investmentism, or venture capitalism. From McCormack’s 1984 *What They Don’t Teach You at Harvard Business School* and Mintzberg’s 2004 *Managers Not MBAs* to 2007 articles, we continue to see reports of what students are not getting in business education compared to what they need. Yes, we continue to ignore the message of the need to educate toward understanding people, managing impressions and perceptions and solving problems: that is to manage one’s self and others.

The majority of MBA programs, if we are to believe the current press and our own experiences, teach the students to do deals and get jobs! Our research question becomes; what should the typical MBA program look like and why? Our answer is that the typical MBA program should be a managerial MBA, not a technical MBA. This paper attempts to make a case for and define more clearly some percepts relating to our version of the constantly flexible “Managerial MBA”.

We see in faculty meetings, MBA classes and articles on this topic proof of the findings of Williams and Ceci: “for many years, academic freedom is stifled, or at least muted. . . . Our survey leads us to conclude that tenure is not living up to its original promise: It does not liberate professors to exercise the freedoms of speech, writing, and action (2007: p. B16).” Our article’s intent is to change the timid approach and show how an MBA must become primarily a managerial degree. In our collective experiences, discussions with 100s of cohorts (both professors and working MBA students) and research into current pronouncements of what an MBA should be, we have come to the collective recognition of what the Masters in Business Administration as a managerial degree would be. Recognition of need and acceptance of key concepts for a managerial version of the MBA would save immense amounts of time and energy; and result in more effective managers with MBA behind their other titles.

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1 Bill Service has taught in Samford University’s 40 year-old evening MBA program for 14 years. In this capacity Bill teaches some 50 (new to him) MBAs a year. Samford’s average MBA student is in their mid-thirties and has a beginning management, supervisory or administrative position, and a minimum of a Bachelors degree. Bill has over 25 years of extensive management and executive experience and 15 years in teaching: he received his Ph.D. at the age of 48. He currently resides in Birmingham Alabama. Darrell Cockerham is a current MBA student with a 40-year career where he has progressed from a labor to a supervisor, manager and executive. Also during that time he was a mayor for over 10 years and served consistently on school boards for over 15 years. Darrell currently acts as a consultant in many areas of management and IS/IT while pursuing his MBA. He currently resides outside Dallas Texas.
Managerial Promotions and Human Resources: Preliminary Observations and Findings
Robert W. Service and Archie Lockamy III

Abstract

From discussions with aspiring young professionals and business executives, as well as comments by hundreds of MBA students, it seems apparent that there are many misconceptions and misunderstandings when someone is promoted or passed over. These disconnects occur in a large part due to differing views of why promotions take place and a lack of recognition of many of the variables involved. The views of those getting promoted, passed-over, doing the promoting, interested constituents and other related factors are just too varied to make a lot of sense to many who are interested in promotions they either witness or take part in. Analyzing thousands of these reported disconnects over the past 40 years, we have continually addressed the following issues when mentoring, consulting or dialoging with MBA students: 1) what are the factors that result in promotions? A preliminary formula for promotion will be presented to begin to address this question in a more academically testable manner; 2) what would a popular press list of the formula’s content and meaning look like? A list will be developed and presented to address the practitioners concerns; and 3) what elements would a good model of Human Resources Management (HRM) contain? An ideal HRM model will be presented to address this issue.

Many of the books aspiring young professionals currently use as guides to advancement into higher levels of management offer only a partial picture. The Three Tensions calls rightly for balancing and bridging between past and current performance. Tensions calls for one to balance mortgaging the future with not borrowing enough from the past. Likewise, a balance must be made in obsolescing capabilities and assets (Dodd and Favaro, 2007). While nothing is wrong with these assertions too many read and follow just shallow and obvious points. What Got You Here Won’t Get You There (Goldsmith and Reiter, 2007), Talent is Never Enough (Maxwell, 2007-he is hot now!) and Go Put Your Strengths to Work (Buckingham, 2007) are also current guides for advancement. They likewise are correct, but revolve around relatively superficial understandings of buzz words (with much more depth and meaning than is given them) such as passion, initiative, focus, practice, preparation, perseverance, courage, character and teamwork coupled with the current fad of being obsessed with one’s strengths versus weaknesses. These concepts are wrapped in building habits and behaviors that require aspirers to learn who they are and what they want to become and then change “appropriately.” Again, nothing is wrong with these current reads. The problem revolves around readers thinking it is that simple and forgetting the many small interactions that are critical. We plan to develop a more comprehensive picture.

This paper proceeds with the realization that the topic of promotions is sufficiently complex and important to require more than what can be developed here. However, most situations are better discussed and undecided, than decided and never discussed. Therefore, the purpose of this paper is to introduce sets of facts and suppositions that can be used as a basis for empirical testing and further research.
**A Proposed Formula for Promotion: We must start somewhere**

“I should have made nothing had I not made mistakes (Churchill in Best, 2003: p. XIII).”

Quoting a long term executive with State Farm Insurance Companies; “There are a lot of reasons someone is promoted, but 90% of the time no one knows them all, including the person that made the decision! In fact, the person not getting promoted will not know, about 98% of the time, why they did not get it. . . . [when ask about discrimination] . . . Yes, I suppose it happens, but I’d say only about 1 time in 50.” Though this is just one anecdotal quote, it represents what many report hearing during years of managing and teaching. Promotions and promote-ability are topics worthy of research and discussion. However, it should be noted that the key to promotion should lie not in what you have done in the past, but in what you are capable of at the next level; but one will not get promoted with the wrong past (Service and Arnott, 2006).

Consider 360 degree evaluations. Whether they work or not, they are being done all the time: know it or not, it is your choice (Tornow, London and CCL Associates, 1998). Now consider the role of education and experience for “Education and performances are not enough: To be secure in a job requires being able to manage how you and your ideas are treated by others (Reardon, 2005).” Use 360 evaluations to ask about promotions and promotability, and you will become convinced that there is a problem with understanding perceptions of promotional decisions as they are enacted in corporate America.

The margin for error in being promoted beyond the early levels of supervision and management is very small (Bodaken and Fitz, 2006; Collins, 2001; and Drucker, all dates). Attitudes, people skills and the images people have of an individual are the focal points in most situations. The little things matter; rightly or wrongly (“At MIT, a Time of Transition,” 2007; and Barney, 1995). Think about a baseball pitcher and how the margin for pitches gets smaller as one moves from little league to high school ball to the professional ranks. Moreover, as the margins get smaller, the speed gets faster, whether in baseball or organizational leadership. And, when you make the professionals in the business world you are often going to have to pitch to the little leaguers and let them get a hit.

**A Formula for Promotions**

“Almost all our faults are more pardonable than the methods we think up to hide them (Maxwell, 2002: p. 28).”

For a formula to be of use to individuals who are seeking the keys to promotion, whether for personal use or instructional purposes, it must necessarily be relatively complex (Albrecht, 2003; Cheyfitz, 2003; Kouzes and Posner, 2006; Leonard and Swap, 2005; and Welch, 2001). Remember that for every complex problem there exists a simple easy to explain answer that is wrong. The “promotions as a function of formula” is not some simple list of to-dos. In order for a formula to represent any form of reality, it must be combinations and permutations of many elements, anyone of which can be the deal maker or breaker. If we attempt to simplify and exclude any factor, the results is often more misunderstanding of why each and every promotion occurs or does not occur, depending on your position in the situation: a vicious cycle of another sort. Any of us who has been involved in promoting knows of so many situations where “it was the
boxes he carried up, the way she cleared up his computer problem, that mole in the middle of his head, the way she treated the cleaning lady, the perfume she wore, the cologne he wore too much of, the habit of staring at . . .” and the comments could go on about all the picky stuff heard; yet that picky stuff continues to be the significant deciding element in many promotional decisions.

The current authors have taught in Samford University’s 40 year-old evening MBA program for a combined 21 years1. Both current authors also had long and successful careers outside of academia. And, in those non-academic experiences they were often promoted, promoted many others, and were witness to scores of promotional decisions. In their teaching tenures they teach some 50 (new to them) “working” MBAs a year. During the last five years many of their MBA students have been used to develop the tentative promotions formula for instructive purposes. This past year, one author used a variation of this formula as a teaching tool with some 50 MBA students seeking additions, deletions and comments. The formula reported in this paper is a culmination of those comments, much research, direct experiences and ongoing consulting and mentoring activities.

The formula given below is given from the view of the person who wants to get promoted.

**A given promotion is a function of:**

1. Hygiene factors—literacy rates: a) Written and Oral communications; b) Ethical behavior; c) Quantitative applications; d) Information location and use; and e) Teamwork.
3. You - image and substance from many perspectives—fitness of use for desired purposes—Sold through appearance, communication and behavior.
4. Communications—of all sorts, up, down and all around.
5. Relationships—inside and outside an organization.
6. Past job performance—most recent most critical—add value and perform.
7. Having a replacement for yourself.
8. Being a mentor.
9. Having an influential mentor or sponsor.
10. Totality of experience – life, hobbies, volunteerism, travels, jobs, etc.
11. Education, training and development.
12. Diversity of thought, experience, ideas and appearance or like classifications
13. Political savvy.
14. Fits of all types and stripes-with the team, department, organization, location, cultures, etc.

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1 Samford’s average MBA student is in their mid-thirties and in a beginning management, supervisory or administrative position. They all have as a minimum a Bachelors degree. Ninety-five percent of the students are in the program with employee paid tuition benefits. Dr. Lockamy has taught in Samford’s MBA program for the past seven years and he has taught graduate students for over 16 years. He was in industry for over 10 years prior to going back to earn his Ph.D. Dr. Service has over 25 years of extensive management and executive experience and 15 years in teaching receiving his Ph.D. at the age of 48.
15. Personality—big five of personality OCEAN: a) openness; b) conscientiousness, c) extroversion, c) agreeableness, d) neuroticism.


17. Luck.

18. Personal desire and work ethic.

19. Worth elsewhere (especially to a competitor).

20. What might happen if you are passed over.


22. Totality of choices between differing candidates.

23. Little things noticed by key individuals.

24. Integrity- self and in business.

25. Your EQ—ability to control your emotions, and read and use others.’

26. A composite of how you would come across representing the organization.

27. Delivering results in many areas outside your job.

28. Easy to manage-make your boss look good—do not make your boss look bad or have to expend political capital defending you.

29. CBA (cost benefit analysis) for alternatives (includes direct and indirect costs)

30. All combinations and permutations of all of these factors.

These 30 independent variables would be:

Mediated (mediators act as catalyst and without the right catalyst an action will not occur) by: 1) difficulty of change if it does not work out; 2) situations and 3) differing views of: a) the decider; b) the selected; c) the pasted-ups; d) other key constituents;

Moderated (moderators change the strength and form of relationships) by: 1) industry, 2) timing, 3) level of position and 4) location-culture-internal and external (formula developed from all cites in this paper plus Barner, 2000; Barney, 1986; Becker, et al, 2001; Blanchard, 2007; Charan, 2007; Cohen and Prusak, 2001; Collins, 2003; Covey, 2004; Crowley and Elster, 2006; Davenport and Beck, 2001; Finkelstein, 2003; Fisher, 2007; Flaum and Flaum, 2006; Gates, 2002; Goldsmith, et al, 2003; Goleman, 2000;Green et al, 2003; Jackson and McKergow, 2002; Jick and Peiperl, 2003; Kanji and Moura e Sa, 2001; Kelley and Litman, 2006; Levitt and Dubner, 2005; Lewicki and Hiarm, 2007; Malone, 2007; Mintzberg, 2004; Nutt, 2002; Peters, all listed; Porras, Emery and Thompson, 2007; Scott, 2007; Service, all dates; Smith, 2000; Smith and Mazin, 2004; Service and . . . , all dates; Welch, 2006 and; Williams and Ceci, 2007).

Discussion, Clarification, Simplification and Conclusions About the Formula

Over the past three years a deliberate attempt has been made by one author to ask managers, executives, trainers and working MBA students what they were reading to help them advance in their careers. The cited references within this article reflect a part of the results of those informal surveys. The contact author will share brief outlines of all the sources reviewed via email attachments upon an email request.
More simply perhaps, think of the total image and substance of the “me” (the one seeking a promotion) as a marketable product related to the individual’s functionality and quality for promotability purposes. Quality here, as with any product, is simply the fitness of use for desired purposes (Juran, 1989). Moreover, the functionality and quality of use must be considered from at least three perspectives: 1) perceptions of those involved; 2) reality-realizing only a God could know this; and 3) as it is enacted with the promoted and the passed-overs.

Two points essential to viewing and managing one’s self related to quality for promotional purposes, are repeatedly stressed by management guru Tom Peters: 1) a persons most important task is to promote themselves, that is the branding of the “me” or the “you” that one desires; he also calls for one to understand the branding one actually exemplifies in the mind of others versus the branding one desires. 2) fix everything before it is broken or your competitors will do it for you (Peters, all dates and Peters and . . . all dates). As a quick note here we must add that it is a mistake to continue discounting what Tom Peters has preached over the years, because his words are being used extensively for HRM and promotional decisions throughout the real world lab of commerce. Though many of us in academia did not like Peters and Waterman’s 1982, *In Search of Excellence*, practitioners did and they bought it in droves. Many continue to this day to use *Excellence* in spite of the many solid academic critiques that have debunked much of what it proclaimed.

Hymowitz’s (2006) article “Any College Will Do” adds another perspective we must consider when he says:

> The COLLEGE DIPLOMAS of the nation’s top executives tell an intriguing story: Getting to the corner office has more to do with leadership talent and a drive for success than it does with having an undergraduate degree from a prestigious university. . . . What counts most, CEOs say, is a person’s capacity to seize opportunities (2006, p. B1).

The promotions formula, the simplified me concepts of Peters and the possibility that any college will do, are conceptual views that should prompt the readers to begin thinking and understanding more about why promotion decisions occur: in-part so that those desiring may get promoted. Remember all leaders and managers need to grow constantly as intellects and repositories of information in order that they may be guides of acceptable behavior. We all have traps in our thinking: know them or not you have them. Therefore, we must be motivated, innovative, and attentive and broaden our knowledge in order to develop valid wisdom. All promotions simply depend on many things as we have shown. Therefore, those desiring to be promoted or help others get promoted must attempt to know all they can about the variables discussed in this paper.

The ability to read and understand gives us the privilege, and many would say obligation, to learn what has been discovered by others (Abraham Lincoln cited in Herndon and Weik, 1942). Using collective knowledge exemplifies the only sustainable advantage that can be contained within an organization’s human capital (Andrew Carnegie cited in Cortada and Hargraves, 1999). And, only by sharing knowledge can it be used for collective good (Cohen and Prusak, 2001). These supported statements point toward more transparency in promotional decisions. Finally, realize you can not understand business if you do not understand yourself and you can not get promoted into upper levels if you can not sell yourself.
Popular press and news media of all types seem to demand a short easy list for everything and in that vane we are attempting to simply our formula into some more generalizable though hard to test principles. Generically and more simply anyone desiring to be promoted should always:

- Add value by being a net positive as an employee
- Deliver results in many areas within and outside of job description
- Communicate up, down, inside and out
- Exemplify integrity in all you do individually or as an organizational entity
- Invest in relationships both inside and outside your organization
- Sell one’s self and always manage the image that is the real “you” others perceive
- Gain the perspectives of others for what they think is more important than what is, or what you think
- Be easy to manage
- Have a replacement for yourself
- Always watch all the “little things” and avoid messing up; for there are many de-railers for those on promotional tracts (Badowski and Gittines, 2003; Goleman, 2000; Hesselbein and Goldsmith, 2006; Kawasaki, 2005; Lewicki and Hiam, 2007; O’Toole and Lawler, 2006; Peters and Peters and . . . all dates; Scott, 2007; Service and Arnott, 2006 and; Smith 2000. Plus years of experience ours and that of others who have contributed to this effort).

Understand clearly that the list above and our formula are not deterministic, they are probabilistic. The more of these issues you manage the higher your probability of getting promoted beyond the first supervisory levels. Only those that understand how others perceive them will make it near the top. Work to manage the image that others see as “you” in order that it may be more like the “me” you wish them to perceive. Moreover, do not forget, the little things between the issues within the promotional formula or our “practitioner” list. The quick and dirty understanding is mostly dirty. Most of us love those answers quick and easy answers, and are enabled in failure by depending on them. Pick those less complex models if failure is your preference and go for the complexity that is really there, if success is your goal. True understanding of factors and self are required not just ability to categorize factors and one’s self. In closing, remember all of these factors rest on a foundation of relationships. The strength of that foundation will hold you up until you make it! Kids, dogs, bosses, subordinates, students and everyone else you know over time responds out of relationships pure and simple. It is a huge mistake to think that others value what you value and even when they do, they simply do not value it the same way you do.

Lastly, Jack Welch (2001 and 2006) supports much about our promotional formula and our simplified “list” of to-dos when he continues his mantra that getting promoted takes one do and one don’t! Do deliver superior performance consistently that extends beyond your job; and don’t make your boss look bad.

Mindsets for Promotions Success
In the formula there are mindsets which are listed that need to be more fully understood before the formula can be further tested and used. Understand the following mindsets and develop them if you desire for the upper reaches of organizations:

**Reflective:** Have the knowledge, skills and abilities required to manage yourself within organizations. Understand how you can apply planning, organizing, leading, controlling and staffing principles and theories to get things done through others.

**Analytical:** Be able to analyze problems, opportunities and threats facing organizations and society. Apply effective principles to insure that motivated people with the proper training are acquired and used effectively and efficiently. This includes the ability to use financial ratios and accounting statements to indicate problems and to facilitate direction setting.

**Worldly:** Understand the importance of interpreting environments and cultures at many levels. Develop the ability to apply management and leadership concepts to differing contexts. Be able to generalize past experiences and apply them to current situations.

**Collaborative:** Use smart networks of relationship-based organizations and functions to gain a sustainable competitive advantage in today’s global hyper-competitive world. Develop the ability to deal effectively with many levels within and outside your organization.

**Action oriented:** Manage change and ambiguity in innovative open environments. Apply concepts that represent pro-activity and leadership (Mintzberg’s, 2004, *Manager’s not MBAs* is a must read).

Your mindsets must be recognized by those that have your promotional success under their control! And, you must remember to stay in the game as a candidate that the powers that be will think of when an opportunity arises. A quote from a recent book that was popularized by a movie of the same title might help here. James Braddock the *Cinderella Man*’s manager said: “A good manager has to be a good psychologist. After a loss, he has to convince his fighter that it never happened and at the same time explain to him how to prevent it from ever happening again (Schaap, 2005: p. 84).” Often after the loss of a promotion one has counted on, the loser must be their own best psychologist and convince themselves it will work out next time if you play it correctly.

These mindsets as defined are relatively stable, yet the content and context of them must often change within new definitive guidelines. Wind, Crook and Gunter *The Power of Impossible Thinking* (2005) want us to remember that our mental models shape our worlds and we need to: 1) recognize the power and the limits of our mental models, 2) keep our mental models relevant, 3) overcome inhibitors to changing them, and 4) transform our worlds as needed. They suggest using zoom in and out thinking. Where you continuously zoom out to look at the big picture from the organizational and business unit perspectives as you stayed zoomed in on what you need to do in your current position. They instruct those who desire to be promoted to always know when to switch to new ways of seeing, experimenting, trusting intuition, using rigorous analysis, categorizing and prioritizing. Remember, avoid fixation, appreciate context and process over content, step out of context and into collaboration. Do not let successful, but antiquated mental models become prisons for your ability to make sense of changing worlds.
Conclusion-A Proposed “Ideal” HRM Model

Should be is not equal to is and if you accept it you get more of it for ignorance more often breeds confidence than does knowledge. So know what “is” and “it” are!

This paper has many limitations and work is needed to gather data for model building and validation. Additionally, the promotions formula is complex and needs testing. However, with the variables discussed here progress is possible. Until more of the variables are brought into the light-of-day, little progress is possible. Taken in the right way this article can act as a catalyst to begin a meaningful academic and practitioner dialogue on the “ideal” versus the “is” of this critical area of advancement for the worthy. It also gives us a guide to helping people understand what is required to get promoted beyond some trite 3 to 7 “secrets.” Overall, to improve in HRM management and research, and to show organizational management a view of what is needed to facilitate a better understanding of promotional decisions, the following HRM model is presented as one to understand and practice:

1. **Value people** first and last and everywhere in between.
2. **Fit** HRM with resources, purposes, objectives, strategies, and people.
3. Insure employees know and understand policies, expectations and objectives.
4. Provide a way for employees to question or appeal decisions.
5. Always look at body of research . . . don’t reinvent the wheel!
6. Put a progressive disciplinary procedure in place: consistently follow.
8. Always follow the letter and spirit of the law.
9. Commit to continuous, honest, two-way communications.
10. Have HR functions insure hiring, training, rewarding and promoting:
    a) provides best people in the most effective-efficient way
    b) insures fair and equitable treatment
    c) supports organizational missions and values
    d) supports individual unit objectives
    e) builds strategic partnering mentality: not policing (adapted from Service and Arnott, 2006 with support from French’s 2007 HR text; Hasl-Kelchner, 2006 and; Smith and Mazin, 2004³).

This model attempts to get HRM more nearly to the strategic partnering goal that has eluded most organizations for the past 25 years. Though the partnering goal is still cited in so many text, in reality it is far from being met (French [2007] espouses the goal; and Service and Arnott [2006] show from the results of over a 1,000 questionnaires that say it just is not being met in many if not most organizations). Additionally, our model fits more of the factors shown in our list and formula that really are important in promotional decisions than do existing models of HRM.

³ Both authors of this paper worked for TRW before beginning their academia careers. TRW in the late 1970s and 1980s was continuously cited in HR texts as an example of HR excellence. The current authors managed at the leading edge of the attempt to make HR more of a strategic partner than a policing function. Experiences since the TRW times show that TRW was indeed “ahead of its time” in many ways related to HR. Many organizations still lag in the HR strategic partner reality. Our model can assist many lagging organizations, and indeed HR texts, to catch their practices up to the past 20 years of HR strategic partnering pronouncements.
Sadly most of us are looking for the magic bullet, the key, the secrets, the pill, the lucky break. The bad news is that the secret is there is no secret. Promotions and good HRM is dedication, hard work and focus, not luck. For, “Success is not a matter of mastering subtle, sophisticated theory, but rather of embracing common sense with uncommon levels of discipline and persistence (Lencioni, 2002).” For when you are dealing with people, an ounce of fact greatly outweighs a pound of theory, pure and simple (Tobin, 2003).

We would like to close with thoughts from Barack Obama’s 2006 book. Obama’s words should tell the reader and, indeed remind us (the current authors) that we need to consider thoughts and implications no matter the source or in spite of the completeness or complexity of the thoughts. Moreover, let us be reminded that though the job of a social scientist often requires categorization; understanding beats putting concepts into a category every time. Do not let categories get in the way of understanding. Though Obama’s remarks are somewhat taken out of context, the context of his complete thoughts are not the main concern. The chief concern should be the failure to learn from any and all sources and that a “thing” that is partially wrong is by definition partially correct:

I must admit that I may have been infected with society’s prejudices and predilections and attributed them to [other things than me—are not we all?]... in years hence I may be seen as someone who was on the wrong side of history. I don’t believe such doubts make me [totally wrong]... [but] I believe they make me human, limited in my understandings... I must be continually open to new revelations—whether they come from [you or me].

This is not to say that I’m unanchored... There are some things that I’m absolutely sure about... (p. 223-224). Today’s politician [I would add social scientist] understands this. He may not lie, but he understands that there is no great reward in store for those who speak the truth, particularly when the truth may be complicated (p. 127)... Values are faithfully applied to the facts before us, while ideology overrides whatever facts call theory into question (p. 59)... an environment in which a single ill-considered remark can generate more bad publicity than years of ill-considered policies (p. 123)... It’s what keeps us locked in “either/or” thinking (p. 40).”

Yes, academicians and practicing managers make dichotomies out of many things that are not either/or but things that are both this and that and then some. Trite as it may sound, we should all strive to not stay wrong long.
Works Cited


A Regional University’s Faculty Driven, Capital Efficient, Sustainable Assurance of Learning (AOL) System

ABSTRACT
The AOL process component mandated for business colleges accredited by the Association to Advance Collegiate Schools of Business (AACSB International) continues to evolve in a dynamic and institution specific manner. This paper describes a faculty driven approach to meeting the AOL requirements that reduces the opportunity cost incumbent on administrators and faculty while delivering effective, verifiable and sustainable results at the degree program level.

Karin P. Roland*
Associate Professor of Finance
Langdale College of Business Administration
Valdosta State University
Valdosta, Georgia

William Buchanan
Associate Professor of Finance
Langdale College of Business Administration
Valdosta State University
Valdosta, Georgia

Kenneth L. Stanley
Professor of Finance
Langdale College of Business Administration
Valdosta State University
Valdosta, Georgia

*Corresponding Author
Teaching Business Ethics as Virtue

Louis C. Gasper, Ph.D.
Graduate School of Management, University of Dallas

Abstract

There have been spectacular failures of ethics in business in recent years, despite the growing importance of business ethics as a subject of instruction. The way in which business ethics has been taught is faulty. In focusing on rules, or on consequences, most instruction in business ethics has given too much importance to the right act, neglecting the importance of right character. The use of eclecticism instead of a definite ethical framework has deepened the failure. The alternative is to rise above rules and consequences, and use a virtue framework. The chief principles of this approach are outlined, and specific concrete methods are presented to teach virtue ethics and engage the moral imagination of students.
The failure of business ethics

The business landscape is littered with evident, even spectacular, ethical failures. A list of just the most famous names – WorldCom, Enron, Tyco, World Crossing, Royal Dutch/Shell – makes miserable reading. What is too little remarked is that these gross failures occurred after more than twenty years’ emphasis on ethics in leading schools of business. A generation has come and gone through business ethics courses and in the end there is no reason to think, certainly no hard evidence, that today’s employees are strikingly more ethical than those of a previous generation.

This might be blamed on the fact that ethics is emphasized in the leading schools but in most schools is still not taken seriously enough to warrant a course in it. A recent study by the Academy of Management Learning and Education found that more than half of MBA candidates said they had cheated at some point in the past year. It is hard to escape the conclusion that the teaching of business ethics has been a widespread failure. Not, perhaps, as spectacular a failure as the ethical lapses in business, but probably more comprehensive.

To understand why this has happened and what might be done about it, it is necessary to recollect where the schools started with business ethics.

Codes of conduct vs. consequences

Business ethics as an academic subject has been around for many years, but it really “took off” about 1980. Business ethics blossomed so very rapidly in those early days that business schools generally, particularly at the graduate level, were caught more or less flat-footed. Having not the leisure to develop business ethics systematically from within the business faculty, business schools in a sense simply put in a call to the philosophy department and said “Send us some ethics.” And what they got was, as one might expect, the kind of ethics that was then dominant in the philosophy departments. This was a kind of Kantian ethics of deontology, focusing on duties, mandates, rules to be followed, all summed up in Kant’s “categorical imperative”.

The dominance of Kantian ethics in the business schools eventuated in the dominance of that same mode of ethics in the ethics programs installed in businesses. This dominance can be seen by noting that in most companies the central focus of the company’s ethics program is a code of conduct. Even when the company states principles of positive conduct as the overall framework of an ethics program, almost invariably the operational adjunct is a code of conduct. The word “compliance” recurs frequently. Many companies have established “hot lines” by which an employee can report a perceived ethical violation. It is worth noting where the ethics hotline rings. In perhaps three out of four companies, it rings in the office of the general counsel. Clearly, companies which focus on a code of conduct are doing something Aristotle most urgently warned us against: They are reducing ethics to law.

The vulnerability of such codes lies in treating them not as guides of some kind but instead as the actual source or arbiter of the good. Too often, an unthinking devotion to a code of conduct results in the view that an act which is not expressly forbidden by the code is at least presumptively ethical, and that an act which is at least inferentially
mandated by the code is, likewise, presumptively ethical. Because no code of rules, no matter how detailed and comprehensive, can cover absolutely every eventuality, the time inevitably comes when obedience to the rules threatens to bring about a clearly unacceptable consequence.

A trivial but nevertheless enlightening instance of this came under my notice when I was traveling home one day a few years back. I was driving on a limited access highway on which, like most highways around the Dallas-Fort Worth Metroplex, just about no one is proceeding within the posted speed limit. Driver behavior on this evening on this highway was no exception. The posted limit is 60 and the traffic was generally moving around 70. But far up ahead I could see a blaze of brake lights and cars swerving between lanes. When I caught up with what was going on, I found that the problem was one of my students. He was an international student, just arrived in this country, who had just gotten his driver’s license and was being very careful not to break any law or rule whatever. And so he was scrupulously staying within 60 miles an hour, thereby becoming a danger to life, limb, and property.

Experienced drivers understand that the great thing is to keep up with the traffic. Engineers tell us that while speed kills, it does not cause accidents. What causes accidents is mixture of speeds. And even the motor vehicle code of Texas recognizes the principle and provides expressly that when the traffic is generally moving at a speed above the speed limit, one should more or less match that speed. In other words, the rule, the speed limit, must be set aside when the consequence is unacceptable.

The minority of companies that do not principally focus their ethics on a code of conduct mostly try to take care of this problem by focusing on the desired results, and minimize the place of rules. And so there are the programs which stress that ethical behavior is that which results in a good product for the customer at a fair price, a safe working environment for employees and fair compensation for quality work, a harmonious relationship with the community, and so on. In some ways, this mode of business ethics is more elegant and attractive. Instead of an inch-thick manual to study and a hot line to the general counsel, the program consists chiefly of a relatively brief list of concise values or principles, often enshrined in a large display in the lobby of the company’s building or plant. Any observer of corporate ethics programs has seen such lists and one can be composed very easily, without having to put a great deal of thought into it. For example: Honest dealings, dependable performance, sensible risk-taking, imagination, social consciousness, cleanliness, and communication. That will actually serve as well as most and better than some.

There is one principle left off the list just proposed but which in fact appears in some form on most of these lists, and is the one consequence which the codes of conduct will agree must trump any rule. And that is business survival, which requires that the business be profitable. This is a universal principle, and demands recognition of what is brutally clear and cruelly straightforward: To avoid gross hypocrisy, companies must admit this principle because, forced to choose between ethics and business success, nearly every business will discard ethics. There is a certain American business ethicist – obviously I will not name the person – who is very well regarded and holds a most prestigious position in the field. He has set forth what he understands to be the truth about business ethics, and comes around finally to the advice that, when survival is threatened, no measures are barred.
It is a sign of the acceptance of this principle that it is so widely said that “Ethical business is good business.” By this is meant that ultimately, in the long run if not in the immediate future, ethics pays. Without denying that this is often true, it has to be noted that the phrase also implies that acting ethically finally doesn’t cost anything. This is a pernicious falsehood. There are always times, and they tend to be the important times, when acting ethically is not good business in the sense of being profitable business, even in the long term. A business person who does not accept that proposition or who is not willing to act on it, cannot be depended on to do the right thing. Ethics finally is not about what is, but about what ought to be, and what ought to be is sometimes not the reality of business success. This can be recognized in the recent popularity of “corporate sustainability” programs, for the chief thing that must survive is the corporation itself. Were it otherwise, it would be called “environmental sustainability” or “worker well-being sustainability” or whatever else would be the entity on which “sustainability” efforts were to be focused.

What emerges from these considerations is a picture of incoherence in the practice of business ethics. Those who hold to a Kantian kind of deontological, duty- and rule-based ethics admit that at least one consequence – survival – will override any contrary rule or duty. And those who follow a teleological, consequence-oriented kind of ethics also allow that one consequence takes precedence over all others, even when this makes a hash of the very meaning of ethics. After a generation of students studying business ethics as a particular subject, profit is more than ever the universal solvent.

**Trying to find a resting place between rules and consequences**

Because anything that could deserve the label “ethics” can finally be discarded in favor of survival, a systematic defense of contemporary business ethics practice is not possible. A consequence of this is that in the schools what is taught is not deontology, not Kant, not Utilitarianism, not teleology, but eclecticism. The most usual approach to conducting a course in business ethics is to explain a number of different, mutually contradictory modes of ethical thought, and leave it to the student to choose which is the right framework to make a particular ethical decision. The hope is that such an exercise will lead the student to see consequences more clearly, to be more sensitive to the concerns and well-being of others, to try to weigh things more carefully, and even to take a transcendent view of what is going on. But the actual result is that students are being practiced in how to rationalize what they find most expedient to do. The various competing ethical theories are diverse enough that one is almost sure to be able to construct some plausible justification for any act that is not repulsively evil. This kind of teaching is welcomed by business, for the ideal student becomes, not ethical, but clever.

A sober and perspicacious reflection on what has and has not been wrought by the teaching of business ethics must lead to the conviction, and hope, that something different is at least worth trying. An important thing to note is that the kinds of ethics identified above focus on doing what is right. Of course, there is nothing wrong about doing right things, but it is not the ultimate goal of ethics.

Consider the standards one must consult if the goal is to get the act right. Ethicists generally consider that the human act or choice has three aspects of ethical interest. These are, first, the end, the consequence intended by the ethical agent making the choice. For
example, an off-shore financing undertaken to minimize capital costs has an entirely different character if the intention instead is to conceal indebtedness from shareholders and creditors. Second, the means by which the agent intends to reach the end are important. Thus, in collecting just debts due and payable, it is one thing to send collection letters, it is very much another to use the threat of physical harm. Third, the circumstances also count into the calculation of right or wrong. Circumstances will not in themselves determine the rightness or wrongness of an act, any more than the intended end alone or the intended means alone can make an act good or bad. But circumstances clearly can make a difference. Hence, granting an interview to the press in order to explain the true reasons behind a company’s decision to close a plant is laudable, unless the interviewee is not authorized to speak for the company. It is also not laudable if the person interviewed does not take care to have all the facts in order, and can foresee that a disastrous mistake might slip into his or her remarks. That is, the rules (in this example, granting authority) and the consequences (in this case, making a bad mistake) are circumstances which have to be right if the act is to be right.

The third of these three legs, circumstances, can include all kinds of concrete things, such as who, when, and where. Sometimes it is not important where the act is to be carried out, or who is involved, but the two circumstances which usually cannot be neglected are the rules that are supposed to govern the situation, and the consequences (intended or not) that can be foreseen flowing from the act.

I said above that the rightness or wrongness of an act depends on three aspects of the choice, and that is always true conceptually. But in practice the third leg, circumstance, often overbears the equal attention we ought to give to intention and means. The reason for this is that circumstances are concretely present. At the moment of choice, the intended consequence and the means are both in the future, but the circumstances can be, and generally are, concretely present now. In particular, although consequences always lie in the future and can be difficult to discern and evaluate, the rules, and the duties they impose, are necessarily already in place. I think this is the reason ethics in practice tends to be driven by rules and duty, to be deontological and Kantian. The concretely present has the upper hand and tends to overbear those things that are not in the concrete order but in the strictly intentional order.

By restricting the moral calculus to weighing consequences and duties, the ethical agent puts aside the very important considerations of intended ends and means. Then the result is that the agent is trapped in a cruel and unresolvable dilemma, the battle between rules and consequences. As earlier implied, following the rules rigidly sooner or later involves an unacceptable consequence. But striving for the best results sooner or later requires that some definite rule be set aside. The rules are in a sense arbitrary, in that the authority that sets the rules can make them what that authority wants them to be. On the other hand, consequences are in the order of necessity; they are what they are. So the decision usually is the latter one, to set aside a rule when the ineluctable consequence is unacceptable. How is it determined that a consequence is unacceptable, that it outweighs the rule? Evidently, that can only be decided rationally by setting up a standard, that is, a meta-rule, by which the consequence can be weighed against the governing rule. But then will that standard always hold? The time can come when that standard goes wrong and a rule endorsed by it implies an unacceptable consequence. The root of the problem is that, when the possibility of unacceptable consequences is posited, eventually the
consequences become all that ultimately matters. That is, once admit that there are consequences that cannot be accepted, whatever the rules, then the principle follows that there will be ends which will justify any means, even those that contravene our most basic social conventions or rules.

If this result is to be avoided, it must be specified that there are at least some basic rules which will withstand the claims of any consequence which may flow from their strict application. Such a rule, one which is unlikely to evoke much controversy, is “We will always obey the letter of the law.” This exact rule is enshrined as an absolute in many corporate codes of conduct. But that rule presupposes that every law is binding, that is, that it is an authoritative ordinance rationally designed to further the common good. What happens when the law is, plainly, a bad law? When the law demands that certain jobs be reserved for whites only, should it be followed to the letter? Often an attempt is made to avoid the unacceptable consequence – in this example, racial discrimination – by claiming that there is some defect in the law: It is not authoritative, it is not aimed at the common good, it is not reasonable, it is not really a rule. Then the rule has to be modified. “We will always obey the letter of good laws.” But how is it to be known that a law is not a good law? Evidently, when it involves an unacceptable consequence, such as racial discrimination. Therefore, the consequences are supreme, after all, and any rule can be broken if that is necessary to prevent the undesirable result, or assure the desirable.

What is going on here is an unending shuttle between rules and consequences. Positing either one as the supremely controlling standard ultimately runs into a problem that can only be resolved by abandoning that supposedly ultimate standard. So long as the focus is on the immediate act, and on the concrete matters of rules and consequences, this remains an unresolvable dilemma, whether rules or consequences are taken as the ultimate standard.

Rising above rules and consequences

An escape from this trap can be found by focusing not on the ethical act per se, the particular choice that we aim for, but instead by taking as the goal the good character of the ethical agent. A more consistent and effective ethics is available by aiming not at right doing but at right being.

The alternative ethical framework that proceeds on this basis is called virtue ethics. At the time that business schools first asked for help from the philosophy departments virtue ethics was difficult to find. Since then, and particularly in the last ten years or so, virtue ethics has enjoyed a remarkable renaissance. If we sent to the philosophy departments now for our ethics we would find at least a substantial number of them would instruct us in some form of virtue ethics.

Virtue ethics is largely the ethics formulated by Aristotle. In working out his thinking on ethics, Aristotle started from the proposition that every person desires what is called in Greek ευδαιμονία [eudaimonia]. This is usually translated simply as “happiness”, but that word doesn’t nearly convey Aristotle’s meaning. It is perhaps better to say that Aristotle proposed that only the good life can satisfy the human being. By “good life” he did not mean the ten thousand square foot house with the Olympic swimming pool and the matched BMW’s in the driveway. What he meant by the good
life might be characterized as a life of excellence. More than anything else, we are most human and we are “happiest” when we are excellent human beings. After a good deal of analysis, Aristotle shows – convincingly in my view – that the good life is one of excellent human functioning. That immediately raises the question: What is the human function?

Without going into detailed explanation, it may simply be noted that virtue ethics proposes that the good life consists in excellent functioning in exactly those ways which define the human being as specifically human. What defines the human being as human, what sets humans apart is, first, that humans are animals – human beings are not rocks or lilies. Second, humans are rational – whatever may be said about the intelligence of dolphins and gorillas, they clearly are not capable of the kind of abstraction, logic, and judgment that humans exercise. And thirdly, humans are social animals. A foal can be taken from its mare at an early age and raised completely apart from any other horses and it yet can end up being a very good horse, but that sort of thing won’t succeed with a human baby: Humans need socialization to function well as human beings.

Building on this basis, virtue ethics proposes that the person who functions well in respect of each of these specifically human dimensions is one who has certain dispositions, in fact, exactly four of them, which make it easy to deal with choices which otherwise may be clouded, for example by emotion.

The clearest example is in respect of the animal nature of humans. Because of that nature, human beings are subject to external stimuli of pleasure and of pain. Painful stimuli interact with the mind to produce the emotion of fear. The person who functions well in the presence of fear will lead a life in which fear is not the master. Functioning excellently in this dimension does not require either ignoring fear or getting rid of it somehow, but instead involves discerning the right thing to do and willing it even in the face of fear. The excellently functioning human being will not be mastered by fear but will overcome it and indeed even use it.

Now how does one get to this condition, which is called being courageous? Aristotle taught that it really is very simple: In order to become courageous, one must do courageous things. It is difficult at first to do courageous things, but by repeatedly doing them one becomes disposed, by a sort of habituation, to do the courageous thing. So the difficulty one encounters at first will fall away and it will be second nature, so to speak, to understand fear when it comes and choose rightly despite it. The disposition is what is properly called a virtue, a settled disposition to choose rightly in particular situations.

Similarly, there is a particular kind of disposition by which one chooses rightly in the presence of the emotions generated by pleasurable stimuli. That disposition is the second of the great virtues, a disposition toward proper ordering of life, keeping a sound perspective on pleasures, neither being mastered by them nor necessarily foregoing them. And there is thirdly the virtue of justice which is the disposition to fulfill one’s obligations to others, surely the basis of excellent functioning as a social being. Fourthly, and finally, and necessary for the practice of all the others, is the virtue of good practical judgment, the finest flower of the rational nature of the human being.
Objective and universal standards of behavior become possible

One of the great advantages of virtue ethics is that it requires a specific anthropology, a settled view of what it means to be human. So long as it can be agreed that humans are most distinctively human in being rational and social animals, then the dispositions of character which compose the good life are definite and are exactly the four just mentioned. Virtue ethics therefore allows for objective standards, that is, standards of excellence which all can agree on. It is at least easier for everyone to agree on this than to agree on which rules and consequences are to be valued, and how strongly they are to be valued.

It is notable that the four dispositions or virtues just identified were not novel in Aristotle’s time. They will be found in the pre-Socratic philosophers and it is evident that Homer is teaching them. They also appear in the Analects of Confucius, in the teachings of Mencius, in the I Ching, in the Upanishads, and in the Tao. They may carry somewhat different names, but the ideas are the same. There is indeed a remarkable agreement throughout history and across cultures that these are the virtues defining human excellence. This is another indication that virtue ethics offers objective and universal standards which are missing in ethical systems that focus not on the essential nature of the person but on the completely variable and particular act.

The result is that the human being becomes reliable. The excellently functioning human being, the virtuous person, can be relied on to choose rightly. To the extent that employees are brought to this condition, widespread and spectacular ethical failures will be avoided. Further, virtue ethics has the enormous advantage that courage is an integral part of what it aims for. The most common failings of rule-based ethics, of ethical systems centered on a code of conduct, is that they don’t work unless the person is engaged with the rules, has “bought into them,” and they don’t work if the person has not the moral courage to perform the duties they mandate. Virtue ethics aims at this courage as the foundation of the whole system. Further, it turns out, as I hope to show below, that it is much easier to engage the person in the quest for virtue than it is to get him to internalize mere rules.

A drawback to the virtue system is that it does not offer a template by which to determine which choice to make in a particular situation. Precisely because it does not rely on stated rules, and it does not pursue specified concrete consequences, virtue ethics cannot be made to “work” by a kind of ethical algebra. For this reason, a regime of virtue is instituted by first having rules, which may seem paradoxical in view of the previous discussion which effectively dismissed rule-based ethics. The resolution to the seeming paradox is that no one is born excellent; one has to work to become excellent and the only way to start is by following rules. Rules which require doing what is courageous put the person on the road to in fact being courageous, just as posted speed limits get the automobile driver into the habit of driving at a reasonable speed. But just as the experienced and prudent driver can be trusted to put aside the posted speed limit when it is right to do so, the genuinely virtuous person can be trusted to discern when it is right to suspend other rules. Rules are thus strictly instrumental in reaching good ends. If they do not conduce to those ends, they are set aside. They are not the final arbiter of what is good.
A further implication of virtue ethics is that there is no such thing as a specifically business ethics, or an ethics that is particular to medicine or law or any other pursuit. There are particular rules for these disciplines which are established to get people in the way of being virtuous and to have visible standards, but virtue is itself based in the human being as human, not in the human being as doctor or lawyer. The same root ethical prescriptions will obtain in any department of life, in any kind of work. This answers and corrects the claim that ethics are situational. And it reveals why the man who cheats on his wife but insists that he would never cheat the company, is not to be trusted.

How virtue can be taught

To teach this sort of ethics requires methods and materials that reflect the special focus that is at the heart of the whole framework, namely, the good life and the character which makes it possible. This is most sensibly done through stories. Stories are narratives which have characters, characters which – or who – develop. There is a beginning, a middle, and an end to which the story moves. In all of these things, stories are like life, much more so than are problems and cases.

Act-oriented ethics such as those which now dominate our schools and our companies typically are taught with problems and cases. Problems have a correct solution and other solutions are wrong. Cases may have a best solution, but if they are well written they are susceptible of being resolved more or less satisfactorily in more than one way. Stories, however, often enough don’t have solutions at all, and in that way they mirror real life, in which many times ethical agents face ethical dilemmas, situations to which there is no satisfactory resolution but which must nevertheless be decided. Because they are more open-ended and because they are much richer than problems and cases, stories are much better ways to engage the ethical imagination with the result that the student is much more likely to end up “buying in” to the conclusions drawn about ethical choices.

At the University of Dallas Graduate School of Management, I have constructed the course in business ethics to put into practice these ideas. We do not use a textbook. The students instead spend most of their time reading imaginative literature, such as short stories, plays, and parts of novels. I select these readings for their suitability to illustrating ethical situations and choices in a business or organizational setting. My syllabus presently includes 23 readings by a wide range of authors, including, for example, Agatha Christie, William Faulkner, George Bernard Shaw, T. S. Eliot, and Sophocles. Each student is required to keep a journal recording his or her reactions, analysis, and meditations on each of the stories. Each weekly class session begins with my presentation to the class in writing of a very brief case which they are required to read and then write down very briefly what they would advise be done in the situation. They have ten minutes to do this after which we go around the table and each person must defend his or her view.

After this exercise, I lead a discussion on the readings assigned for the week. I present some ethical theory which I judge might be useful in thinking through the readings, and this takes the place of a textbook to support this method of teaching.

I do not administer tests or examinations, but grade the students on their progress in improving their understanding and skill in thinking through ethical situations and
problems, as revealed in their journals and in seminar discussions. I judge this according to the student’s apparent capacity to defend the positions he or she takes on the readings and on the cases. A person who can mount a successful defense of what he says is demonstrating comprehension of what’s involved.

An example of a story I regularly use is titled “Power in Trust,” a short story by Louis Auchincloss. The protagonist is the managing partner of a law firm who faces a rebellion against his vision for the firm, which is a high and noble one, informed by the protagonist’s belief that the law profession must serve society by the pursuit of justice. The leader of the rebellion is an older partner who has a completely different idea of the law, namely that it should be used to make as much money as possible, without regard to whether a just result is reached. This partner takes on a case which has no merit, but which the defendant, a trust, is willing to settle rather than spend months in court to pursue an uncertain result. Now it happens that the widow of the man who set up and endowed the trust is a long time personal friend of the managing partner. She demands of him privately why his firm is trying to break her husband’s will in order to deprive the trust of what her husband wanted it to have. The managing partner, contrary to one of the most basic canons of legal practice, advises her what to do, and exactly how to do it, to make the trustees decline to settle, so that his own firm’s client will get nothing. The result is that the plaintiff loses the case, the head of the rebellion leaves the firm, and the managing partner’s high vision of the practice of law triumphs. Put in a few words, the problem in this story is that the managing partner violates a canon of legal ethics, a strong rule, in order to attain what is undoubtedly a just outcome in the courts. Is he an ethical person? The discussion is long and fruitful, and the students come away, or I hope they do, with a new appreciation of how rules and results can present cruel conflicts, and how such situations may be addressed effectively.

A great benefit of this mode of teaching is that the students find it a refreshing change from the usual sort of business course. Their evaluations are nearly all very positive, one of the most common assessments being that it is the only course in their master’s degree program in which they genuinely had to do hard thinking.

I therefore harbor the perhaps pious hope that at the University of Dallas we are succeeding in turning out more ethical graduates, although the proof will only come over years. And that proof will not be the negative result of none of my students bringing down a company through an ethical lapse, but in the lives they lead day to day, the good lives in which solid dispositions have been built to produce human beings who function excellently.
Notes

1 David Biello, *Business Ethics Magazine*, Vol. 19 No. 5, Fall 2005, reports on a survey by the Association to Advance Collegiate Schools of Business which found that two out of three accredited business schools do not require a course in ethics, but that another survey indicated that more than half of the leading schools do.


3 A former student of mine, an officer with a police department in the Dallas-Fort Worth Metroplex, told me that his department some years ago monitored the speed of traffic on the LBJ freeway for twenty-four continuous hours, to find what percentage of the drivers actually obeyed the speed limit on that stretch of highway. The result turned out to be a very close approximation to zero.


5 See Chapter 8 of the *Texas Drivers Handbook*, Texas Department of Public Safety.


7 The interested reader can consult my syllabus and reading list at my web site, http://professor.gasperonline.net.
Abstract

In the Spring of 2006 Samford University’s School of Business made a decision to participate in The Wall Street Journal’s Academic Partnership (AP) program beginning with the Fall semester of 2006. This paper examines Samford School of Business students’ attitudes and usage of the WSJ that made for a successful implementation this past year.
BACKGROUND

During the early days of his tenure as the Dean of Samford University’s School of Business, Beck Taylor was looking for ways to infuse some fresh ideas into Samford’s classroom curriculum. His previous employer, Baylor University, had used The Wall Street Journal’s (WSJ) Academic Partnership (AP) program. Taylor considered the AP along with offerings from Business Week and other outlets. During the 2005-2006 academic year Taylor and Director of Undergraduate Programs, Barbara Cartledge met with WSJ AP representatives to discuss the program. During the Spring of 2006, Dean Taylor discussed the opportunities of the AP program with his school-wide committee chairs and other school administrators and finally with the faculty as a whole. The summer of 2006 was spent working on the logistics of the program (who gets the paper, how often, when delivered, online issues, etc.). WSJ representatives also came to campus for informational sessions with faculty during the Summer of 2006. Finally, at the School of Business’ August Faculty Meeting/Retreat, representatives from WSJ provided a guided session on WSJ classroom implementation including tools and suggestions based on feedback from other colleges and universities that have used WSJ. The faculty was given the task of weaving WSJ into their courses where appropriate. The following pages discuss some of the successful results from implementing WSJ into the curriculum at Samford University’s School of Business.

By WSJ’s own account the implementation of the AP program at Samford has been very successful, with a 92% newspaper pickup rate during the first semester of the program. In contrast to this experience, Mississippi State University was able to generate only a 72 percent pickup rate after four semesters.

RESEARCH OBJECTIVES

Because the Samford AP startup was so successful, the authors planned a research project to determine students’ perspective on the use of WSJ in the classroom. The objectives for the research study were to survey undergraduate and graduate students to gauge several dimensions of the AP program at Samford. The purpose was to identify areas of success and weakness in the implementation of the program from students’ perspective. The ultimate aim of the research is to provide direction for future decisions as Samford administrators and faculty seek to increase their successful incorporation of WSJ in academic offerings.

RESEARCH METHOD

A questionnaire was developed that allowed students to provide an evaluation of their personal usage of WSJ as well as its usage in their classes. The questionnaire sought to obtain information from students’ perspectives on several areas of interest in evaluating the effectiveness of the AP program at Samford. Specifically, the survey posed questions regarding:

- students’ WSJ readership behavior
- assessment of WSJ’s influence on development of their business acumen
- the cost/value relationship of WSJ for students
- faculty usage and effectiveness with WSJ in their classes
- WSJ’s role and effectiveness in students’ educational development
• Frequency and depth of student *WSJ* readership and online access

The questionnaire developed utilized Likert scales (ranging from 1 = strongly disagree, to 5 = strongly agree) for most questions. The instrument was pretested and the final version was placed on WebCT for all business students to access and provide their responses electronically. Students were encouraged by professors in their classes to respond to the survey and by email messages from School of Business administrators. Students completed the survey over a five-month period from end of the fall semester 2006 through April 2007. Of the approximately 400 students majoring in Business at the undergraduate level, and the 244 students who are in the graduate M.B.A. and MAcc (Master of Accountancy) programs, the survey generated 99 responses, for an approximate response rate of 15 percent.

**RESULTS AND DISCUSSION**

Survey findings are presented in Table 1. It can be seen that Samford students are achieving many benefits from the *WSJ* AP program. Among the many positives are the following:

- Almost 60 percent of students say *WSJ* has enhanced their understanding of business subjects.
- Over twice as many students agree versus disagree that *WSJ* has improved their course-specific knowledge and insights.
- Over 60 percent of students enjoy having *WSJ* as a complementary resource in their classes.
- *WSJ* is perceived by about 6 out of 10 students as providing good value for their money and being a worthwhile expenditure for their Samford business education.
- Over one-half of students said that faculty had regularly and specifically incorporated *WSJ* into class, and almost half thought it was effectively done.
- The verdict was split at slightly over one-third agree/disagree as to whether students’ educational growth during the semester had been greater than previous semesters because of having *WSJ*.
- Overall, almost one-half of students rated the role of *WSJ* in their learning experience as being quite valuable.
- Over two-thirds of students reported reading *WSJ* at least several times a week, but reading overwhelmingly tended to be selective.
- Over 70 percent of students accessed the online version of *WSJ* at least sporadically.

Table 1 reveals that the level of disagreement students expressed with questions generally fell into a range of 20-30 percent. Typically, no more than one out of ten students felt strong disagreement with the benefits from *WSJ*. This could reflect an issue of cost justification. Since *WSJ* subscribership was required for students, those who may have had few to none of their instructors incorporating the newspaper into class could have perceived much less benefits forthcoming for the money expended. However, this level of usage was to be expected. The administrative decision was that *WSJ* was to be incorporated in many, but not all, classes. Some students initially felt that requiring *WSJ* with its attendant hefty price was unreasonable. They were not sure that the cost would be justified. However, this study showed that by a very
wide margin, students did feel that *WSJ* was a worthwhile expenditure and that they got good value with the newspaper.

The study also points to improvements that can be made in the program. Some of the findings which need to be considered are the following:

- 30 percent of students said their faculty did not regularly incorporate *WSJ* into class and did not do a good job of it. This may suggest a need for more planned discussion among faculty about how to incorporate it and perhaps additional training by *WSJ* staff to generate more insights for usage. It may also reflect that faculty could feel that they are already short of time to cover “required” material and thus, have little time for more “extraneous” material such as *WSJ*. This perception would require more selling of the notion of *WSJ* benefits to faculty.

- Over one third of students thought their educational growth was not greater with *WSJ* than previously. This could be interpreted, however, as meaning that their previous educational maturity was very good.

- Twenty-eight percent of students never accessed the online version of *WSJ*. This may indicate that they found sufficient satisfaction with the printed version of *WSJ*. However, it also implies that faculty did not require students to perform any online activities. The online version of *WSJ* can be very useful to students. Their failure to experience any of those benefits is viewed by the authors as a weakness of the execution of the AP program at Samford.

There are many factors that need to be assessed further. This study provides a starting point for the faculty and administration to consider ways to improve the *WSJ* AP program. By assessing these results, additional insights may be gained to enhance the program’s effectiveness. The outcome should be one that will benefit Samford students and their educational experience even more completely.

The authors have just completed a survey of School of Business faculty using a similar survey instrument to that used for students. It will be interesting to compare the perceptions of students with those of faculty. Incorporation of those findings should provide additional ways to improve our educational outcomes using *WSJ*.

**CONCLUSION**

The results of this survey indicate that the *WSJ* AP program at Samford School of Business is achieving good results in its first year of implementation. The newspaper is producing positive dividends in students’ learning process.
<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>TABLE 1</strong></td>
<td><strong>SAMFORD SURVEY RESULTS (N = 99)</strong></td>
<td>(Percentages are rounded)</td>
</tr>
</tbody>
</table>
| 1. The *WSJ* has enhanced my *practical* understanding of business subjects. | 14 %  SA  
45 %  A  
19%  N  
9%  D  
12%  SD |   |
| 2. The *WSJ* has enhanced my *theoretical* understanding of business subjects. | 7 %  SA  
51 %  A  
18 %  N  
14 %  D  
9%  SD |   |
| 3. The *WSJ* helps me improve my course-specific knowledge and insights. | 10 %  SA  
39 %  A  
27 %  N  
13 %  D  
10%  SD |   |
| 4. I enjoy having the *WSJ* as a current resource to complement the textbook or other class resources. | 27 %  SA  
35 %  A  
15 %  N  
12 %  D  
10%  SD |   |
| 5. The *WSJ* is a worthwhile expense for my Samford business education. | 22 %  SA  
37 %  A  
15 %  N  
13 %  D  
12%  SD |   |
| 6. The *WSJ* provides good value for the money. | 20 %  SA  
44 %  A  
18 %  N  
8 %  D  
9%  SD |   |
7. My instructors *regularly* incorporated the *WSJ* into class.

18 %  SA
33 %  A
14 %  N
23 %  D
7%  SD

8. My instructors *specifically* incorporated the *WSJ* into class.

17 %  SA
36 %  A
19 %  N
20 %  D
7%  SD

9. My instructors *effectively* incorporated the *WSJ* into class.

12 %  SA
36 %  A
30 %  N
11 %  D
10%  SD

10. As a whole, my professors have done a good job of incorporating the *WSJ* in my classes.

15 %  SA
31 %  A
23 %  N
21 %  D
9%  SD

11. Compared with previous semesters (prior to requiring *WSJ*), my educational growth this semester from having the *WSJ* has been greater.

7 %  SA
28 %  A
30 %  N
16 %  D
18%  SD

12. Overall, I would rate the role of the *WSJ* in my own learning experience this semester as quite valuable.

12%  SA
35 %  A
24 %  N
14 %  D
14%  SD
13. This semester, I read the *WSJ*
   1% Daily and extensively
   20% Daily but selectively
   1% Several times a week and extensively
   45% Several times a week but selectively
   3% Several times a month and extensively
   15% Several times a month but selectively
   11% Hardly ever
   3% None at all

14. I access the online *WSJ* version
   18% Regularly
   53% Sporadically
   28% Never

15. What were some of the most effective ways *WSJ* was incorporated into your classes?

16. What were some of the least effective ways *WSJ* was incorporated into your classes?
Which marketing ‘P’ attracts transnational buyers? A comparative look at the Dubai and Turkish Cyprus real estate markets

Dr. Jim Grant* and Dr. Donelda S. McKechnie  
American University of Sharjah, UAE

Abstract

Attracting buyers to foreign property real estate is increasingly becoming more important as people look beyond their own borders for home purchases. The paper reports on data collected from real estate agents and brokers in two markets. The research question focuses on which of the marketing 4 P’s attract transnational buyers when government regulations support ownership – Dubai – and impede ownership – Turkish Cyprus. Findings from the early stages of this study indicate location is key followed closely by price. The fact that neither market has a definitive process for transferring title is not a deterrent to buyers.

Introduction

The development of residential real estate in Dubai and Turkish Cyprus is moving at a phenomenal pace. The sale of property in both regions is contributing to growth and development notwithstanding that the respective governments have introduced regulations that have an effect on investment from transnational buyers. The difference is that Dubai appears to have government regulations that encourage investment from transnational buyers whereas Turkish Cyprus has impediments positioned within the rules of expatriate land ownership. Such issues introduce questions about the fit of government regulations into the 4P’s of the marketing mix when the product is real estate.

Demographics and reasons for purchase are important as increasingly, buyers are moving across international boundaries. Whether the purpose of the move is employment, retirement, or investment, purchasing foreign property suggests a level of ‘success’ has been achieved in personal lives. Buyers are able to purchase property in another country even though spending time in that location requires travel and vacation costs.

The Dubai real estate market has made it increasingly easy and more desirable to purchase property throughout the country. Properties can be purchased and the deal closed in a relatively short time frame. Resident visas for the whole family are an added inducement in many projects. Without such visas, people are limited to sixty day stays in
the country and working is illegal. Additionally, the government is moving to improve quality standards although some projects and development areas have failed to establish organized co-operatives or put condominium agreements in place before owners take possession.

The Turkish Cyprus market still lacks firm control over who is building the project and the quality level of the finished project. There are a number of projects that seem to remain in a half finished condition for extended years. The biggest hindrance appears to be the long time frame between initial purchase and the final closing of the paperwork. This can vary from deal to deal although the accepted norm for processing the paperwork to complete title transfer is 3 years. This does not prevent people from taking possession of the property. Rather, the various government reviews only serve to delay full ownership for the intervening years.

Given that Dubai and Turkish Cyprus appear to use opposing legislation in their respective dealings with transnational buyers, the significance of this study is the comparative aspects it adds to the larger body of knowledge in both the marketing and real estate disciplines. The effect of government regulations on transnational buyers’ decisions to purchase real estate is of major significance. Thus, the research question focuses on which of the 4 P’s, product, price, place, or promotion, attract transnational buyers when government regulations support ownership – as in the case of Dubai – and impede ownership – as in the case of Turkish Cyprus.

**Literature Review**

The review of literature specially targeted buyers and sellers of residential properties who are involved in purchases for rental income (RI), retirement (R), vacation (V) and/or second home (SH) factors (RI-R-V-SH). Additionally, a number of articles discuss ownership using descriptives such as who, what, where, when, how and why. However, the information is better organized and reviewed by looking at the few key books that primarily address second home purchase and the factors to consider when buying and selling in general (Eldred, 1999; Haden, 2006; Kelly & Tuccillo, 2004; Price & Price, 2005; Tyson & Brown, 1999). Early writings established a basic understanding of residential property purchase through a review of major concepts while clarifying the requirements. Arguably, the most grounded discussions are from Price and Price (2005) and Tyson and Brown (1999). More in-depth analysis about RI-R-V-SH real estate has been developed by Eldred (1999), Haden (2006) and Kelly & Tuccillo (2004).

The transnational status of buyers adds another dimension to the issue under study. As the term suggests, transnational people are those whose lives transcend international boundaries in some capacity (Olwig, 2003). Linking transnational buyers with real estate purchase has typically addressed the corporate employee who is moved around the world and seeks culturally familiar communities in their adopted country (White and Hurdley, 2003). The gap in the literature is the paucity of information about expatriate buyers who purchase foreign real estate for reasons such as future retirement, second homes, vacation rentals and/or investment outside their home country.
Methodology

Early interest in this study developed from local interest in both the Dubai and Turkish Cyprus markets. The authors live twenty minutes from Dubai and own a second home property in Turkish Cyprus. The project began with discussions about ‘where do government regulations fit in the marketing mix when selling residential real estate to transnational buyers?’ As the study took shape, the focus shifted to consumer reactions and the views of local real estate agents while specific questions asked:

1. To what extent do transnational buyers consider government regulations when making decisions to purchase residential real estate?

2. To what extent do estate agents and brokers introduce government regulations into discussions with potential clients?

3. To what extent do government regulations appear to a) encourage foreign investment as is the case of Dubai and/or b) impede foreign investment as is the case of Turkish Cyprus, when aligned with the marketing mix 4P’s of product, price, promotion, place?

The initial phase of the research addresses the real estate perspective. The primary data for the real estate view was collected in two parts. First, a series of in-depth interviews with brokers and agents was conducted in the two countries - United Arab Emirates (UAE) and Turkish Republic of Northern Cyprus (TRNC). Second, a random sample of agents and brokers were approached and asked to complete a questionnaire which asked about government regulations and marketing issues. In the latter case, respondents completed a profile sheet with information about years of experience, nationality, training and years in the region. Voice recordings were made during all data collection.

The information received was analyzed to find the agents’ and brokers’ views regarding similarities and differences related to governmental issues and the primary marketing tools - product, place, promotion and price. Questionnaires were coded and answers entered into SPSS for evaluation. The descriptive results are reported herein after objective and interruptive evaluation was undertaken.

Findings

Table 1, following, gives an overview of the two markets, Dubai and Turkish Cyprus, according to the views from the real estate agents and brokers in the respective markets. It sets the stage for understanding the various conditions and factors that those in the business must face when selling properties.
### Table 1: A comparative table of the Dubai & Turkish Cyprus markets

<table>
<thead>
<tr>
<th>Dubai</th>
<th>Turkish Cyprus</th>
</tr>
</thead>
<tbody>
<tr>
<td>o Dubai is a hot market for outsiders to buy property</td>
<td>o Government needs to be quicker in processing paperwork</td>
</tr>
<tr>
<td>o Buyers own the unit but not the land under the building</td>
<td>o Infrastructure is developing but not fast enough – telephone network is ‘rubbish’; putting in roads which makes travel easier and distance areas more accessible; fixing up the electric system to handle the volume. Electrical not dependable</td>
</tr>
<tr>
<td>o Most properties are on plan or not yet finished at sale</td>
<td>o Winter buyers are more intense shoppers – visit with the intent of purchasing and spend their time purchasing – know what they want – work agents harder in their search for property</td>
</tr>
<tr>
<td>o Visa is usually part of purchase transaction</td>
<td>o Apprehension about waiting for title is not an issue – properties can be bought and sold without title</td>
</tr>
<tr>
<td>o Purchasers are becoming more ‘picky’ as more options become available</td>
<td>o Price is cheaper in the north – about 1/3 the price of south Cyprus properties</td>
</tr>
<tr>
<td>o Buyers are doing more shopping and less speculation is now taking place</td>
<td>o Many buyers buy off plan</td>
</tr>
<tr>
<td>o Some developers have turned out projects that have been a disappointment</td>
<td>o Land registration will be set on the Canadian system or the Australian system – not yet decided</td>
</tr>
<tr>
<td>o Dubai Municipality is very proactive about increasing construction</td>
<td>o Land economy valuation and values not yet formalized</td>
</tr>
<tr>
<td>o Common areas – when purchase, the first and second year fees may be preset but after that, they could go up as much as 300 percent - without a condo board in place the purchasers/owners are at a disadvantage – without a condo board, then there are no mechanisms in place for a reserve fund for example</td>
<td>o Comparison to UK system --- try to have a hard and fast system --- 2 years in court, not worth the hassle</td>
</tr>
<tr>
<td>o Original price – rental return mid-class 10 percent; established areas i.e. Springs/Greens 7 percent</td>
<td>o About 30 percent of buyers are investors</td>
</tr>
</tbody>
</table>

The favorable factors noted by agents and brokers in their respective country are listed in Table 2. These are the main considerations that make a location more desirable and thus, are likely to increase demand. Some may be viewed as short term growth pressures which may correct over time, while others are more resistant to change and would require a
cultural attitude shift. Table 3 summarizes the factors that are common to both real estate markets.

Table 2: Main factors and/or issues that favor real estate in both markets

<table>
<thead>
<tr>
<th>Favoring Dubai</th>
<th>Favoring Turkish Cyprus</th>
</tr>
</thead>
<tbody>
<tr>
<td>o Residence visa with purchase selectively available</td>
<td>o Prices per square foot lower</td>
</tr>
<tr>
<td>o Quick Closing on Paper work</td>
<td>o Rural environment</td>
</tr>
<tr>
<td>o Developed city</td>
<td>o External funded projects aiding environment</td>
</tr>
<tr>
<td>o Aggressive infrastructure improvement program</td>
<td>o Elected officials sensitive to voters issues</td>
</tr>
<tr>
<td>o Fully culture and ethnic diversity</td>
<td></td>
</tr>
<tr>
<td>o English as common language</td>
<td></td>
</tr>
<tr>
<td>o Current shortage of rental units resulting in high returns to ownership</td>
<td></td>
</tr>
<tr>
<td>o Prices per square foot lower</td>
<td></td>
</tr>
<tr>
<td>o Rural environment</td>
<td></td>
</tr>
<tr>
<td>o External funded projects aiding environment</td>
<td></td>
</tr>
<tr>
<td>o Elected officials sensitive to voters issues</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Against Dubai</th>
<th>Against Turkish Cyprus</th>
</tr>
</thead>
<tbody>
<tr>
<td>o Traffic congestion</td>
<td>o Very slow closing times</td>
</tr>
<tr>
<td>o Delays in project completion schedules</td>
<td>o Government backlog of years to own</td>
</tr>
<tr>
<td>o Too many choices</td>
<td>o Country uncertainty and lack on international recognition</td>
</tr>
<tr>
<td>o Land under the properties reverts back to original owner after 99 years</td>
<td>o Questionable building standards</td>
</tr>
<tr>
<td>o Possible ‘over-building’ boom</td>
<td>o Utilities (Water and electrical power undependable)</td>
</tr>
<tr>
<td>o Authoritarian form of government which may change from its current benevolent approach to less favorable treatment of non-citizens</td>
<td>o Unclear ownership titles on some properties</td>
</tr>
<tr>
<td>o Number of unfinished construction projects left for years</td>
<td>o Infrastructure needs upgrading</td>
</tr>
<tr>
<td>o Political state of animosity with other half of the island</td>
<td></td>
</tr>
</tbody>
</table>
Table 3: Factors common to BOTH Dubai and Turkish Cyprus

<table>
<thead>
<tr>
<th>Favorable</th>
<th>Unfavorable</th>
</tr>
</thead>
<tbody>
<tr>
<td>o Growth markets with appreciating property values</td>
<td>o Lack of long term mortgage funds easily available</td>
</tr>
<tr>
<td>o World re-known desired vacation locations</td>
<td>o No license requirement for Real Estate sales agents</td>
</tr>
<tr>
<td>o Foreign capital flowing into the country</td>
<td>o No education standard or continuing education requirement for those in the real estate industry</td>
</tr>
<tr>
<td>o Low cost construction labor available</td>
<td></td>
</tr>
</tbody>
</table>

The interviews in Dubai and Turkish Cyprus revealed at large amount of building and real estate related information. Table 5 outlines the comments made about building standards and zoning. Table 6 is a synopsis of the rules and regulations of the real estate industry in each country.

Table 5: Current building standards & zoning in the respective real estate markets

<table>
<thead>
<tr>
<th>Dubai</th>
<th>Northern Cyprus</th>
</tr>
</thead>
<tbody>
<tr>
<td>o Dubai Municipality has zoning and regulations in place</td>
<td>o Density regulations 20 percent maximum construction on some sites</td>
</tr>
<tr>
<td>o Urbanization, including the allocation of parking spaces (per 900 sq ft of unit) is in place</td>
<td>o Must follow earthquake and regional standards</td>
</tr>
<tr>
<td>o Quality standards are established and checked before handover</td>
<td>o Plans must be proved in advance</td>
</tr>
<tr>
<td>o Green space required 40 percent space must be allocated to green area</td>
<td>o Architects association mentioned</td>
</tr>
<tr>
<td></td>
<td>o Building height limited to 2 storey on many sites</td>
</tr>
<tr>
<td></td>
<td>o Limited sole agency listing approach</td>
</tr>
</tbody>
</table>
Table 6: Rules & regulations of the real estate industry in both markets

<table>
<thead>
<tr>
<th>Dubai</th>
<th>Turkish Cyprus</th>
</tr>
</thead>
<tbody>
<tr>
<td>o New law that brokers must be registered – registering involves showing a residence visa, undergoing a character check and a police check</td>
<td>o Attempting to set up a real estate association for regulation</td>
</tr>
<tr>
<td>o No current requirement for educating agents – suggestion that education will soon be required</td>
<td>o Likelihood that offices will have to post a bond – 100,000 GBP in order to carry on business selling real estate</td>
</tr>
<tr>
<td>o Private education programs and institutions are currently setting up to provide education services</td>
<td>o Multiple agencies involved in a transaction, the commission rates are pre-established</td>
</tr>
<tr>
<td>o Referral practices and ethics were mentioned</td>
<td>o Sole agency approach – work with developers to market and sell properties usually from plan or later after construction</td>
</tr>
<tr>
<td>o Developers – 75/25 current amounts</td>
<td>o Monitoring system to be put in place for developers – at land department – this will be in association with agents being registered</td>
</tr>
<tr>
<td>o Commission handled by agents and marketing is done by agents</td>
<td></td>
</tr>
<tr>
<td>o Buyer’s market – investors coming in from all over – strength of the seller is not an issue – going forward removes seller dominance</td>
<td></td>
</tr>
<tr>
<td>o This is a seller’s market – owners are in control – loyalty from buyers is critical – hold them in hand</td>
<td></td>
</tr>
</tbody>
</table>

Table 7 which follows shows the agents’ and brokers’ views about the level of competition within each market. Interestingly, those in Dubai expressed the need for more agents while the agents and brokers in Turkish Cyprus said there are too many.

Table 7: Competition in the respective markets

<table>
<thead>
<tr>
<th>Dubai</th>
<th>Turkish Cyprus</th>
</tr>
</thead>
<tbody>
<tr>
<td>o Right now, in real estate, it is wide open competition which is healthy; the market isn’t yet saturated with agents</td>
<td>o Right now there are too many agencies selling property – need for professionalism</td>
</tr>
<tr>
<td>o No Emirati requirement if real estate agency is less than 50 employees – if more, then must employ Emirati people</td>
<td>o Too many unfinished projects currently</td>
</tr>
</tbody>
</table>
Many new firms growing rapidly

The reference to an Emirati requirement in Dubai (Table 7) relates to government legislation measures that require the hiring of indigenous Emirati people to certain job functions. Human resources jobs are regulated in this manner.

Those who engage daily in the business of selling real estate expressed their views, noted in Table 8, about the laws needed to regulate the industry. Interestingly, although they mentioned that owners should have evidence of ‘title’ to property, the fact that this did not happen for some time after the deal closed was not an impediment to completing transactions.

Table 8: Laws needed in the respective markets

<table>
<thead>
<tr>
<th>Dubai</th>
<th>Turkish Cyprus</th>
</tr>
</thead>
<tbody>
<tr>
<td>o Need for trust accounts regulations – right now this legislation is not in place – developers are selling off plan and using the money rather than holding in trust</td>
<td>o Need better control over construction standards</td>
</tr>
<tr>
<td>o Title deed would instill confidence in international investors but this is not yet a big issue – no title searches now</td>
<td>o Need to qualify construction firms or some basis-experience of education</td>
</tr>
<tr>
<td>o The whole industry has to be regulated – agents, offices, individuals – needs to be sales agreements in place where developers are accountable</td>
<td></td>
</tr>
<tr>
<td>o Real estate board should be set up – this would help centralize the industry – the set up of a board is coming but is not here yet</td>
<td></td>
</tr>
<tr>
<td>o A real estate tribunal is needed</td>
<td></td>
</tr>
<tr>
<td>o MLS doesn’t exist and it is disappearing worldwide</td>
<td></td>
</tr>
<tr>
<td>o Department of Fair Trade (under the Ministry of Economics) has some responsibility for real estate</td>
<td></td>
</tr>
<tr>
<td>o Educate the sellers</td>
<td></td>
</tr>
<tr>
<td>o Whether buying or selling – do the homework – follow the basics – and be patient</td>
<td></td>
</tr>
</tbody>
</table>
The agents and brokers were asked about features of the respective markets that may be used to attract buyers, shown in Table 9. The responses indicated that buyers seek various features ranging from tax-free environment to crime-free. In some instances, additional features such as offering mortgages would promote interest and encourage sales.

Table 9: 4 P’s of Marketing as tools to reach buyers

<table>
<thead>
<tr>
<th>Dubai</th>
<th>Turkish Cyprus</th>
</tr>
</thead>
<tbody>
<tr>
<td>o For speculation – tax free country, resell at appreciated value, no restrictions on taking money out</td>
<td>o North has been associated with British for a long time – rules and regulations are similar</td>
</tr>
<tr>
<td>o Foreign investors see this as a vacation country, get a visa, crime-free compared to home country</td>
<td>o Mortgage money is not forthcoming – still pay for properties in installments</td>
</tr>
<tr>
<td>o $ drive #’s (dollars drive numbers)</td>
<td>o Promotion is via internet, UK newspapers, property magazines – property shows have not met with much success; alternately, fly in to view property is offered – money comes from developer if prospect buys from the developer</td>
</tr>
<tr>
<td>o Convert from ‘home’</td>
<td>o People from the UK who are buying can’t get on the property ladder in the UK but can in TRNC</td>
</tr>
<tr>
<td>o 2006 – Greatest number of people left UK for other countries than in any other years</td>
<td>o Move to get away from crime and taxes</td>
</tr>
<tr>
<td>o Having title deed in hand does not seem to impede foreigners from purchasing</td>
<td>o TRNC is becoming preferred choice to Spain – ‘Spain is the UK with the heat turned up’ which is a reference to the number of UK people who have properties or holiday in Spain; see Spain as the competition</td>
</tr>
<tr>
<td>o More attention about the area since Halliburton announced its office moves</td>
<td>o Infrastructure is trying to keep up – Dubai is taking steps to improve infrastructure</td>
</tr>
</tbody>
</table>

Product, Price, Place and Promotion

The survey asked specifically about product, price, place and promotion – which of the marketing 4P’s was more likely to attract buyers. Answers were coded and entered to SPSS for analysis.
Surprisingly, the **product** or home unit inside was not seen as important in affecting purchase overall (60 percent). On the other hand, the outside was more likely to determine purchase with 77 percent agreement. Certainly the total package, inside and out, would be key as reflected in a 92 percent agreement. Only 50 percent of the agents felt that the government had an influence in the products being offered. Strong construction and planned community features did not seem to be an issue.

The **price** of the second homes was reported to be a main concern of buyers in product selection. Approximately three quarters of the agents call price a main issue. It was not just the total price, but also, price per square meter that was closely compared. The buyers normally reference the price comparisons to their home country reference rather than secondary or alternative vacation markets. Likewise, 75 percent of the real estate people believed that government actions greatly influence home prices in their respective markets.

As often as one hears location, location, location in the real estate field, the location was not quite equal to price of total product in the buyers’ selection criteria according to the agents and brokers. Dubai was certainly a drawing card with almost 90 percent saying that Dubai city was the key element. The U.A.E. overall and certain areas within Dubai city were also more desirable. Once again the local government was seen as a strong influence on location offerings by three quarters of the agents.

The final tool, **promotion**, was the weakest of the four. However, it was still important with personal salesmanship being the main item at over 75 percent agreement. General advertising was less important. Only about 50 percent of the agents said the government regulations influenced their promotional efforts. Overall, there was general agreement that the respective governments had limited influence on promotional activities such as advertising and sales activities.

Table 10: Marketing 4 P’s – relative importance and government influence

<table>
<thead>
<tr>
<th>Relative importance of Marketing 4 P’s*</th>
<th>Total Points</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Price</td>
<td>10</td>
</tr>
<tr>
<td>Product</td>
<td>4</td>
</tr>
<tr>
<td>Location</td>
<td>10</td>
</tr>
<tr>
<td>Promotion</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Government influence on Marketing 4 P’s</th>
<th>Total Points</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Price</td>
<td>6</td>
</tr>
<tr>
<td>Product</td>
<td>3</td>
</tr>
<tr>
<td>Location</td>
<td>11</td>
</tr>
<tr>
<td>Promotion</td>
<td>3</td>
</tr>
</tbody>
</table>
Table 10 displays the overall relative ranking of the 4 P’s. Respondent answers were coded by points with 4 points for 1st, 3 for 2nd, 2 for 3rd and 1 for 4th. The results when tallied ranked as follows: place (82 points), price (79 points), promotion (61 points) and product (58 points). The governments’ influence on each of the 4 P’s shows the ranking as place (69 points), price (64 points), product (55 points) and promotion (39 points). It is apparent that government does influence the real estate market since all P’s are subject to some control.

In the case of Dubai, despite the extent to which government and laws influence the industry, the agents and brokers still considered this as a positive measure. Almost 60 percent said the laws were either helpful or very helpful, as shown in Table 11. The information for Turkish Cyprus will be reported in the next dissemination of data.

Table 11: Affect of laws/government on real estate sales in the UAE.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid Very Help</td>
<td>3</td>
<td>11.1</td>
<td>11.1</td>
<td>11.1</td>
</tr>
<tr>
<td>Help</td>
<td>13</td>
<td>48.1</td>
<td>48.1</td>
<td>59.3</td>
</tr>
<tr>
<td>Neutral</td>
<td>10</td>
<td>37.0</td>
<td>37.0</td>
<td>96.3</td>
</tr>
<tr>
<td>Hinder</td>
<td>1</td>
<td>3.7</td>
<td>3.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>27</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Conclusions

The real estate market in both Dubai and Northern Cyprus is very healthy. Comparatively, however, Dubai is the stronger and more dynamic of the two. The Turkish Cyprus market, on the other hand, appears to be a boom waiting to happen. Until the political dissension between the Greeks and the Turks is settled, the economy in the north is unlikely to grow at a fast pace. A definitive resolution regarding rejoining the island or keeping it separate is needed. Until then, the north’s general growth and the construction industry in particular are subjected to negative and dampening influences.

This paper is the first report of data collected in the bi-market study. Limitations extend to the willingness of people to participate and the difficulties of comparing two very different markets. As the study continues, it is expected that many of these difficulties will be overcome.
References


ABSTRACT

Upon evaluating curriculum and community needs, it was determined that both the students and the community could benefit from a mobile computer laboratory to help facilitate decision making. This laboratory could be taken out into the community and students could facilitate organizations with decision making. Service-learning pedagogy was evaluated to be the best approach to meet both needs. This paper describes service-learning as applied to this project.
INTRODUCTION

As part of an ongoing assessment of the curriculum, it was determined that the program could be strengthened by incorporating “real world” applications into the course work. Although this had been done through case studies, the students were still only looking for the correct answer and not understanding that there may not be only one answer, nor may there be a correct answer at least not one that is easily determined initially. Hind sight, as applicable to case studies’, improves one’s ability to find the correct answer. In addition, our community was facing many challenges as an aftermath of Hurricane Katrina. Many for-profit, not-for-profit and governmental organizations were struggling to assess their situations, solve problems, make decisions, and develop action plans. How could our students be involved as part of their course work and was it appropriate to integrate this work into the curriculum? Following personal experiences and research on bringing “real world” projects into the classroom, service-learning pedagogy was evaluated to be the best way to meet this objective by using a structured, proven approach.

Service-learning was defined in Service-Learning in Higher Education by Barbara Jacoby and Associates (1996, p. 5) as follows:

“Service-learning is a form of experiential education in which students engage in activities that address human and community needs together with structured opportunities intentionally designed to promote student learning and development. Reflection and reciprocity are key concepts in service-learning.”

Service-learning pedagogy provided the structure for the integration of community problems and challenges with course work. This integration established a beneficial relationship among the students, university and community.

In assessing how to practically integrate service-learning into course work while benefiting the community, the idea of a mobile computer laboratory emerged. Given the needs of the region several grant opportunities were applicable to help fund the laboratory. Two grants were funded1 and the result was the implementation of a mobile computer laboratory named “Mobile ThinkTank System.” Notebook computers, group support software to aid in group decision making processes, and service-learning were the focus of two grant applications. The very name of the lab was derived by students using ThinkTank™, a group support software application from Group Systems, Inc.

The specific objectives stated in the grants were two fold: one) to help Southeastern

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1 Mobile ThinkTank System is funded by the Louisiana Board of Regents, Louisiana University System [through a federal grant], Southeastern Louisiana University, College of Business, and the Department of Management.
Louisiana by having a mobile computer laboratory function as an advanced electronic meeting place where students, faculty, and communities’ members can meet for collaboration and problem solving; and two) to use this facility to encourage students and faculty to participate in service-learning while promoting the value of service-learning among potential partners in our community.

This paper will provide a brief literature review and then a discussion on the phases of implementing service-learning into the curriculum.

**LITERATURE REVIEW**

A brief summary of the service-learning research as it applied to this situation is discussed. Then the relevance of group support software (GSS) and specifically a GSS application called ThinkTank™ from Group Systems, Inc. will be presented.

**Service-Learning**

Information systems are often taught as a theory course where the students learn the concepts and applicable software, but the real value of the information systems course is being able to apply the concepts and theories. The students need to be able to go from the classroom, to an organization, assess a situation, and determine the appropriate approach for the situation. This can be difficult to teach. So the question is how to get the students to see the importance of not just answering questions on an exam or case study, but to see that “real world” work environments are chaotic. In addition, to see that the concepts learned in class do have value, but only if applied successfully. As stated in the introduction, one methodology to help students make this transition is service-learning.

Bringle and Hatcher’s (1996, p. 222) definition of service-learning is: “A course-based, credit-bearing educational experience in which students participate in an organized service activity in such a way that meets identified community needs, and reflect on the service activity in such a way to gain further understanding of course content, a broader appreciation of the discipline, and an enhance sense of civic responsibility.”

This definition points out that service-learning must meet the needs of the community while reinforcing the concepts and theories being taught.

Outside of professional disciplines the focus of service-learning is on changing the students perspectives about society, issues related to societal changes and community activism. Information systems curriculum does not focus on changing students’ societal perspective but on helping students to successfully participate within organizational contexts (Kreth, 2005). The service-learning pedagogy adopted reflects this client-based pedagogy. According to Ann Blakeslee (2001, p. 170), students doing projects for clients “potentially preserve more of the culture of the workplace, while allowing students to address a variety of
audiences.” As a consequence these projects can be “useful transitional experiences that bridge classroom and workplace contexts for students and expose them gradually to workplace practices and genres” (Blakeslee, 2001, p. 170). This became the core of the grant applications and provided the structure to have students do service-learning through the use of the Mobile ThinkTank System.

Service-learning is germane in business education. As pointed out by Edward Zlotkowski (1996, pg. 5) “a major criticism of contemporary business education centers on its failure to help business students achieve sufficient educational breadth, particularly with regard to the external environment of business.” In addition he felt that while the use of cases, role playing, projects, team exercises imitate the real-world, they “only approximate the ‘culture’ and complexity of non-academic situations (pg. 7).” It is important for students to develop an understanding of organizations and societal issues. Including not only how their actions impact the outcomes, but that unintended results can happen.

Examples in business-related disciplines include service-learning applied in an intermediate accounting course (Gujarathi and McQuade, 2002) used to meet the AICPA core competencies (Tschopp, 2004), affect the creativity in economics (Hervani and Helms, 2004), enhance student learning in strategic management courses (Angelidis, et al., 2004), augment business communication courses (Littlefield, 2006 and Kreth, 2005) and in international experiences in MBA programs (Alon, 2004 and Coffey and Wang, 2006). Other researchers have presented the critiques of service-learning in management programs (Kolenko, et al., 1996), and how the institution can adopt a culture that not only supports service-learning but institutionalizes to the credit of the university (Burbback, 2005, Christensen, 2006, Dean, 2005, Getchel, 2005, and Zlotkowski, 1996).

In information systems courses, service-learning was applied to facilitate students helping local non-profit and government agencies as they related to course topics, such as database design (Hoxmeier and Lenk, 2003). Eugene Rathswohl (2001) connected his students in management information systems courses with a local high school to provide tutoring in the software applications they were using in class. This reinforced the students’ knowledge and skills as well as improving their communication abilities.

**Group Support Systems**

Group support systems are an expansion of decision support system used by managers. Management is a practice in which organizational goals are achieved through the use of resources - people, assets, and time. Management must make choices about the allocation of limited resources to best achieve the organization’s goals. This usually involves deciding between two or more alternatives with indefinite outcomes. Decision support software can help managers make decisions by bringing together data from multiple sources along with models to help analyze this data. Managers need support from computerized systems due to their need to explore and compare many multifaceted alternatives, time pressures to make a quick decision, convoluted data analysis requirements, and the information required may not be available at the site of the decision.
maker. A group support system is an interactive computer-based system that supports the method of discovering solutions by more than one decision maker.

One problem with group work relates to the size of the group – the larger the number in the group the less cohesiveness and the propensity to form internal coalitions. There can be a tendency to have “groupthink” where creativity is not as important as unanimity of the group. In addition gender can play a role because different skills are seen as having various values by the group and not all skills are appreciated uniformly. Women perceive cooperation more important than dominating or having their ideas heard. Group support systems are designed to minimize these problems with group work.

There are numerous forces driving group support system development, such as, need to increase group productivity, reduce the number and length of meetings, and need to accommodate virtual organizations (time and place differences) and the accessibility of networked computers using the Internet protocol (TCP/IP). This need for better group support systems led to the development of ThinkTank™ recently introduced by Group Systems Inc. Of the several group support systems on the market ThinkTank™ was selected to best meet the objectives of this project. The next section discusses ThinkTank™.

**ThinkTank™**

ThinkTank™ is the latest evolution of group support software that incorporated verified tools and processes in one easy to use dynamic interface. The software is from Group Systems Inc, (http://www.groupsystems.com/). ThinkTank™ offers a number of capabilities for groups to work together in a computer-mediated environment. It is browser (web) based and can be used for fact-to-face meetings or for virtual sessions (participants at different locations). It supports brainstorming, organizing, prioritizing, evaluating, identifying, and documenting of ideas that save time and improve productivity. It facilitates decision making as a collaboration group process. Electronically captured session notes and voting results are easily exported into MS Word or HTML formats.

Potential activities using ThinkTank™ include strength/weakness/ opportunity/threat (SWOT) analysis, exploring the impacts of a strategic plan or proposed policies, developing consensus within a group by pinpointing areas of agreement and disagreement, evaluating employees’ job performance, prospective job candidate selection, generating and prioritizing budget items, projects, or requirements for services or products, allocating resources among departments, projects, services, or products, and determining action plans.

ThinkTank™ was selected for this project since from product reviews it appeared to be the best match for our application and the grant authors had experience with this software package.
The grant provided funding to set up the mobile computer laboratory project. The next section of the paper explains the project phases.

**PROJECT PHASES**

**Initial Phase**

The initial phase of this project was to determine curriculum and community needs. Once these needs were specified, then it was important to determine how to meet the community needs, improve the curriculum, and advance the training and skills of students.

The identified community need was to help our region with the many challenges faced by an explosive population growth in the region after hurricane Katrina. The curriculum need was to expand the students’ knowledge and skills by using additional applications software and to help them realize the relevance of understanding how organizations implement software applications in complex business environments.

After the needs were identified, offering a mobile computer laboratory was determined to be a way that resources could be taken into the community by trained students which would help both the community and students. From research in our community most of the organizations were facing decision making about current resource allocations, future resource needs, and action plans to help meet goals. Group support system software would assist students’ in undergirding the community’s efforts to meet today’s and future requirements.

To create the mobile computer laboratory outside funding needed to be obtained, since the University was faced with their own financial challenges after the hurricane. Two grants were applied for and both were funded. This moved the project on to the implementation phase.

**Implementation Phase**

Once funds were secured, purchase requisitions were completed, and the notebook computers, software, projector, printer and screen were delivered. Additionally, training was needed to manage the group support system software. Carts to secure and transport the notebook computers were also purchased.

During the spring 2007 semester, training of students began. A cohort of students in database management and decision support system classes practiced using ThinkTank™ as a participant and then as the facilitator of a session.

These students learned many things from these experiences. When asked what they learned by doing ThinkTank™ sessions, students from the decision support systems class had these comments:
“How to network with a system and use information to get results to process a solution or to get a better perspective on an issue;
Setting a session up and running is not as hard as it first seemed, but when I did a couple it was pretty easy;
The system is very effective for organizing things with a group and to me one of the most organized systems I have ever dealt with;
ThinkTank is fun!
I need to better prepare for the presentation as facilitator;
Organizing my ideas to not just myself but how to relate them so others can understand my material;
Practice, practice, practice;
To expect the snags; to be patient with others;
Collaboration is more productive because of anonymity;
Everyone is entitled to their own opinion;
Go slower and speak slower
To dress a little better, clothes make the professional, no hat, shirt tucked in
It is more productive than typical face to face meetings, and provides detailed accurate reports; and
Taking control of the group is not as easy as it looks.”

The students’ comments demonstrate the learning beyond the textbook that took place by having them facilitate a group support system session. It would be harder for the students to reach some of these conclusions had they not done this service-learning experience. It was unfortunate that we did not have any group who used the system more than once. Working with a group over time and through many decision making meetings would have presented the students with additional learning opportunities.

Promotion Phase

Since this project was new and expectations unsure promoting the Mobile ThinkTank System outside of our department was minimized. The management department looked at using MTTS to help revise the merit and promotion requirements; unfortunately the department did not feel comfortable using this approach. Towards the end of the semester the students did a demonstration for the College of Business. A brochure has now been developed, and is being distributed to external organizations that could benefit from our services. To date we have contacted a department about using MTTS to help with a job search, University administration about helping with decision making, a food pantry about action planning for their future, and a new not-for-profit organization (Bridge of Hope) looking to be established in this area about fundraising. The future is bright and there are many organizations that could benefit from this laboratory, as part of the grant funding was given to promote and to travel to share the Mobile ThinkTank System with the region.

PROJECT GOALS
As stated earlier the project goals are two fold: one) to help Southeastern Louisiana by having a mobile computer laboratory function as an advanced electronic meeting place where students, faculty, and communities’ members can meet for collaboration and problem solving; and two) to use this facility to encourage students and faculty to participate in service-learning while promoting the value of service-learning among potential partners in our community. We feel that we have made progress and will be able to report to the funding agencies how we have met and exceeded our goals.

CONCLUSIONS

Integrating service-learning, client-based pedagogy, hasn’t been without risks (Cyphert, 2006). It is very time consuming on the instructors’ part, which was rewarded by the students’ experiences and professional development. Confidentiality of the sessions is an issue that constantly needs to be reinforced to the students. With some of the sessions confidential information may be presented and if this is made public, future use of the laboratory will be curtailed. Many funding sources felt that this was a worth while project and it has added to the pressure of meeting their expectations. Using the funds to get the best for the laboratory at reasonable prices was an interesting, sometimes challenging process.

On the benefits side, getting in new equipment and new software to play with was an added bonus to the instructors. Service-learning is rewarding and does benefit the students by helping them transition to the work world they will be entering in the future.

Would we do this again: yes in a heart beat. We are currently looking for new opportunities and funding sources to help us meet these future opportunities to the benefit of students and the community.

REFERENCES


Enhancing Professional Standing of MPA Programs - Delivered in Asia

Eveline Fallshaw, Kim Watty, Margaret Jackson and Xin Yu
RMIT University, Australia

Abstract
The Master of Professional Accounting (MPA) conversion program provides a unique opportunity for graduates from disciplines other than accounting to undertake a program that enables them to become practitioners in accounting. This paper reports on a study investigating how to enhance the professional standing of the MPA programs delivered in Hong Kong and Singapore by Australian universities. A literature and documentary review provides a framework which identified links between local and foreign accrediting and quality assurance bodies in relation to offshore MPA programs delivered by Australian universities. Findings from interviews with representatives from the national accrediting bodies, professional accounting bodies, employers and MPA program leaders of Australian universities indicate some pessimism about the future success of the programs in Hong Kong and Singapore. This is particularly evident where those programs do not have local professional accreditation. Respondents highlighted the value of local content particularly with regard to taxation and law courses. As the competition for membership of professional bodies continues, it seems that it is the local professional accounting bodies that are gaining momentum, particularly as a result of their increasing presence and influence in the profession as they have matured as professional associations.

The paper concludes with several recommendations including revising CPA/ICAA Accreditation Guidelines; linking local accounting and professional accreditation bodies; understanding the local environment; and some key quality assurance issues for professional accreditation in transnational education. In addition, considering the unique interests of offshore stakeholders, particularly, graduate employers and local professional accounting bodies in the program design and delivery will ensure that accounting programs maintain their relevance in each offshore location, their viability as a strategic initiative for Australian Universities and hence their enhanced professional standing.
Introduction
A skills shortage of graduates in the discipline of accounting is recognised at the national level in Australia and to some extent on a global scale. The Master of Professional Accounting (MPA) conversion program provide a unique opportunity for graduates from disciplines other than accounting to undertake a program that enables them to become practitioners in accounting. In Australia, these programs are becoming increasingly popular among students for a variety of reasons, including the perceived potential for immediate employment (as a result of a skills shortage in the area) and career progression. As a result, a number of key issues have emerged in the accounting profession. Some of those key issues include: the increasing demand by employers for professional accountants; the increasing number of overseas student enrolments in Australian Accounting/commerce degrees, particularly at the Masters level; the ongoing skills shortage for accountants in Australia; the lure of Permanent Residency as a driver of student enrolments in Australian accounting programs; and serious concerns about the employability of overseas students as a result of poor English language and communication skills (Birrell, 2006).

At the same time as the demand for accountants has increased, federal government funding of Australian universities has decreased in relative terms, with the resulting pressure on Australian universities to diversify their funding base. One avenue for increasing revenue has been increasing the number of full-fee paying students in programs delivered in Australia. A second avenue is the exportation of education globally, particularly accounting education to Asia. Little is known about the professional standing of MPA programs delivered offshore by Australian universities.

This paper reports on a study investigating how to enhance the professional standing of the MPA programs delivered in Hong Kong and Singapore by Australian universities. The paper presents a literature and documentary review, describes the research methodology, key findings and concludes with some recommendations.

Literature and Documentary Review
As a starting point, a literature and documentary review was conducted to obtain a consolidated overview of quality assurance processes currently in operation in Australia, Hong Kong and Singapore at various levels and to identify the links between the various quality assurance mechanisms.

Australia
• **National Level in Australia**
At the national level there are several government regulatory or non-regulatory quality assurance arrangements. The Australian Qualifications Framework (AQF) protects the quality of Australian education and training (AVCC, 2006). ‘The National Protocols for Higher Education Approval Processes (the National Protocols)’ outline processes for establishing a new university and for foreign universities to operate in Australia. The revised non-regulatory Code of Provision of Education to International Students by the Australian Vice-Chancellors’ Committee (AVCC) enables universities to regulate their
own activities against sector wide benchmarks with the framework of their legislation-based autonomy (AVCC, 2005). In addition, the audit role of the Australian Universities Quality Agent (AUQA), a national, external quality audit agency was extended to include the monitoring of overseas activities of Australian universities.

- **Institutional Level in Australia**
  ‘Internal quality processes are often for feedback purposes rather than establishing judgments’ with a ‘focus on constraints and potentials of a system’ (Thilakaratne and Kvan; 2006, p.316). Universities’ internal quality assurance mechanisms might include the review of courses, curricula, assessment methodology and results, the use of external peer review and accreditation by professional bodies. Two significant international associations, European Quality Improvement System (EQUIS) and the Association to Advanced Collegiate Schools of Business (AACSB) accredit ‘business schools’, including those with accounting schools. For the purpose of this study, the professional accreditation/broad discipline accreditation is treated as a discrete layer of the quality assurance arrangements and is presented in the following section.

- **Professional Level in Australia**
  Professional accreditation is more likely to serve as a quality assessment exercise, rather than a quality audit performed by other external higher education quality assurance agencies (Thilakaratne and Kvan, 2006). CPA Australia and the Institute of Chartered Accountants in Australia (ICAA), the key professional accounting bodies in Australia accredit the majority of the country’s university accounting programs delivered onshore and offshore. An important focus of professional accreditation by CPA Australia/ICAA is on the curriculum requirements (particularly the development of specific technical and generic skills), course design and staff credentials. The accreditation procedures of ICAA and CPA Australia are detailed in the Accreditation Guidelines for Universities (May 2005). There is, however, one variation in the process. For Australian accounting programs delivered in Australia, a representative from both CPA Australia and the ICAA participates in the site visit. For offshore locations (Hong Kong and Singapore), there is no ICAA participant on the site visit to the partner institution.

In summary, assuring quality in higher education in Australia is the responsibility of any self-accredited institution although external quality assurance bodies at international or national levels are responsible for auditing the effectiveness of quality assurance processes of each institution.

**Hong Kong**

- **National (State) Level in Hong Kong**
  In Hong Kong, the roles and functions of the Hong Kong Council for Academic Accreditation (HKCAA), an independent body providing accreditation for higher education institutions, are governed by the HKCAA Ordinance. The similarity with the mission of AUQA is clear and the specific mention of non-local courses at item 7 refers to transnational education. As non-local course providers, Australian universities which deliver MPA programs in Hong Kong, must register their programs with the Education Manpower Bureau (EMB). The application for registration must be submitted through
HKCAA. The Registrar of the non-local course will seek independent expert advice from HKCAA as to whether a course can meet the criteria for registration/exemption from registration.

- **Institutional Level in Hong Kong**
  In Hong Kong the institutional quality assurance arrangements are similar to those of Australian institutions, each having their own quality assurance processes that are subsequently validated/audited at the state level. While this study did not explore the processes of individual universities in Hong Kong in any detail (this was outside the stated objectives of the study), the important common factor that is found in both Australian and Hong Kong institutions is that self-accrediting universities all establish their own, robust but unique internal quality assurance systems.

- **Professional Level in Hong Kong**
  The Hong Kong Institute of CPAs (HKICPA) developed Guidelines and Procedures for Accreditation of Overseas Degree Programs Conducted in Hong Kong. Before accreditation by the HKICPA’s Accountancy Accreditation Board (AAB), the Program needs to be accredited by the awarding academic institution and the accreditation authority in its home country. The main areas considered by the AAB for overseas degree programs include the academic staff, the curriculum, learning, teaching approaches and assessment. The accreditation procedures include both an institutional review and a program review. The UK based Association of Chartered Certified Accountants (ACCA) has also been part of the professional accounting scene in Hong Kong for many years. ACCA does not undertake formal accreditation visits, instead relying on the accreditation processes of other nominated bodies.

**Singapore**

- **National Level in Singapore**
  Based on an internationally benchmarked business excellence framework, the Singapore Quality Class (SQC) for Private Education Organisations (PEOs) is a scheme to recognize PEOs that have attained a commendable level of performance to assist them to reach international standards of business excellence. Administered by Standards, Productivity and Innovation Board (SPRING) Singapore, the SQC-PEO scheme serves as the industry standard for organisation excellence in the private education sector. All educational programs offered by PEOs must be registered with the Ministry of Education (MOE) and/or relevant authorities; and approved by appropriate accreditation bodies (including overseas agencies for foreign institutions’ courses). Like Hong Kong and Australia, to some extent, Singapore seeks at a state level to ensure that transnational education is delivered to a high standard. The PEOs with SQC status receive government benefits such as facilitation support from government agencies, faster foreign student application processing, and promotion in overseas markets.

- **Institutional Level in Singapore**
  Similar to universities in Australia and Hong Kong, the universities in Singapore develop their own systems that are designed to assure quality and are externally audited/validated
at the state level. Examining the processes of individual universities in Singapore was outside the stated scope of this current project.

- **Professional Level in Singapore**
  The Institute of Certified Public Accountants of Singapore (ICPAS) is the national organisation of the accountancy profession in Singapore. To gain ICPAS full membership, applicants need to complete the ICPAS Professional Examination, satisfy the relevant work experience requirements by ICPAS, be proficient in Singapore laws, as prescribed by ICPAS and complete the pre-admission course. The ICPAS Professional Examination was introduced to enable overseas accountancy graduates from universities accredited by professional bodies recognised by the ICPAS, but who did not sit for the final examinations of these bodies, to apply for provisional membership with ICPAS. Non-accounting graduates can qualify through another route, which is the ICPAS/ACCA Joint Examination Scheme (ICPAS, 2006). In the past, ICPAS has not accredited programs and has relied on the accreditation systems of other bodies nominated by them. However, ICPAS now plans to conduct its own accreditation process in 2007. Accreditation will be offered for local and non-local accounting programs. This move by ICPAS reflects a similar line of progression taken by HKICPA who now have their own accreditation process.

In summary, Australia, Hong Kong and Singapore all have higher education quality assurance mechanisms in place at national levels. They all have an independent body responsible for quality audit (AUQA, HKCAA and SQC), but SQC targets only private education providers, not government funded higher education institutions. In Australia, the state/territory governments are responsible for accrediting the programs of private providers.

To some extent, the criteria for professional accreditation by various professional bodies overlap, particularly in terms of technical skills required but there are some differences in terms of cross border (transnational) knowledge. These differences relate primarily to the inclusion of local content in courses such as law and taxation e.g. ICPAS requires proficiency of Singapore Law. Further, the current processes of accreditation by the professional accounting accreditation bodies for MPA courses (CPA Australia, HKICPA, and from 2007 ICPAS) share a number of similarities in terms of the initial accreditation and five-yearly re-accreditation processes. For re-accreditation, both require the submission of specified documentation about the courses/program and both involve a review visit by members of the professional body. One key difference is that the HKICPA requires the submission of samples of completed exam answer scripts from internal examinations and tests for the past two years. This is not a CPA/ICAA requirement. The requirements for accreditation with ICPAS are yet to be made available.

**Research Method, Data Collection and Analysis**

**Data Collection – Interviews and Analysis**

Because of the complex nature of the research being conducted, interviews were considered the preferred method of data collection, allowing for greatest flexibility in terms of question design (de Vaus, 1995). Interviews were conducted in Singapore, Hong
Kong and Australia face to face with representatives from the national accrediting bodies, professional accounting bodies, and employers. Telephone interviews were also conducted with program leaders of MPA programs offered by Australian universities offshore and onshore.

In most cases, the interviews were taped and then transcribed. The transcription of interviews provided a complete record of discussions and facilitated the data analysis. Each transcript was then independently reviewed by three members of the project team to analyse the content and look for trends and patterns in responses (Lewis, 2000). The themes and trends were discussed and refined by the members of the team to check for reliability and validity of the data findings. Finally, reliability was achieved by using multiple data sources (professional bodies, academics and employers) to explore the same issues (Creswell, 1994; Blaikie, 2000).

For professional bodies, the focus of the interview was on their perceived role in the accreditation/quality assurance processes of the profession; their relationships with other professional bodies; their role in relation to the accreditation of non-local (Australian) MPA programs; and any other issues of importance. For employers, the focus of the interview was on their perceptions of any differences between MPA and undergraduate degree graduates; the quality of graduates they employ; and any other issues of importance. When interviewing senior academic staff and university administrators, the focus was on their perceptions of the demand for MPA courses and of the operations of professional bodies in their countries; their views on the likely demand for Australian MPA programs in offshore locations; and their views about the future of MPA programs.

Limitations of the Study
A primary limitation of the study was the strict time frame of six months set by the funding organisation. The project involved local and international stakeholder interviews in Australia, Hong Kong and Singapore and the timelines precluded subsequent discussions and interviews that may have enriched the current findings. Due to time restrictions, the views of students undertaking MPA programs were not sought. Their input would have added to the analysis undertaken in the project as they represent a unique stakeholder perspective.

Research Findings

Program Providers
At the commencement of this project in August 2006, CPA had accredited 12 Accounting Masters conversion programs referred to hereafter as Masters of Professional Accounting (MPAs). It was subsequently found that some of these programs were not running, were closing or were teaching the last student intake, and had no new intakes. Thus, invitations to participate in the project were emailed to the nine universities accredited by the CPA to run MPAs in Hong Kong and/or Singapore. Of those, one university refused to participate, one advised that they did not currently teach overseas and two failed to respond or were unable to be contacted to confirm interviews. Five interviews with Program Leaders or Heads of Department were arranged and were conducted by telephone, of which three were tape recorded.
• **The MPA Programs**

Graduate entry MPAs have 12 units as required by the CPA/ICAA Accreditation Guidelines. A 16-unit conversion Masters is also available for students entering without a previous qualification. Only one university appears to offer this latter program offshore. Most of the offshore MPAs are taught over three semesters, with both local and Australian staff being involved in teaching the units.

The program brochures indicate that the onshore and offshore programs are the same, as is required by professional accreditation, although the modes of teaching, such as block teaching in particular, can differ. Enrolment numbers generally do not appear to be high, with the majority of those still running attracting just sufficient numbers to survive. The MPAs appear to have been built around the success of undergraduate accounting degrees and are frequently being run for strategic rather than financial reasons. Most MPAs started about four years ago, one started in 1999 – 2000 and one in 1996. As noted earlier, three Australian universities have now stopped offering their MPAs in Hong Kong, primarily due to low enrolments. Most of the other MPAs, in both Hong Kong and Singapore, appear to have low enrolment numbers, although not all Program Leaders would discuss enrolment numbers.

In Hong Kong, up until 2004, CPA accreditation of the MPA was accepted by the local partner as being adequate. In 2004, the Hong Kong Institute of CPAs (HKICPA) restructured itself and changed the way it admitted graduates to membership. Previously, CPA accreditation had meant that the graduates could gain automatic admission to HKICPA. This situation has now changed and only graduates from HKICPA accredited programs are entitled to automatic membership. This change led to local Hong Kong partners beginning to place pressure on the Australian universities to seek HKICPA accreditation. There does not yet seem to be a similar pressure for local professional accreditation in Singapore, however, ICPAS intends to commence its own accrediting procedures in 2007.

• **Views on Professional Accreditation Practices**

The academics interviewed for this project found the whole of program approach to accreditation adopted in the CPA/ICAA Accreditation Guidelines to be a useful way for them to present their programs’ objectives and their teaching and learning aims. They felt the emphasis was on quality assurance and improvement, rather than on monitoring compliance, although the coverage of the required areas of knowledge was still important.

Two main suggestions were made about the future direction of the CPA guidelines. The first was that there was a push from local partners, students and employers for more local, rather than Australian content, to be taught, particularly in Hong Kong. It may be that a different membership category should be created for offshore students taught by Australian universities to handle this issue. The second issue raised was the difficulty in continuing to send Australian lecturers offshore to teach, due to the costs associated with this, impacting on the fees that could be charged overseas, and on the running of the Australian programs. None of the interviewees seemed to be aware of the possibility of
negotiating alternative teaching arrangements provided in the CPA guidelines but this point was not specifically raised with the interviewees.

Two Australian universities have sought professional accreditation for their MPA programs offered in Hong Kong from HKICPA and have found it a different process to that of the CPA guidelines. Overall, they found the former process drilled down more to examine the content of courses and tended to focus more on compliance. Online resources were generally not allowed and that has possible implications in Australia for universities wishing to demonstrate equivalence of programs for AUQA audits. Overall, the accreditation approach was more compliance based.

Two of the faculties offering programs had gained EQUIS accreditation but those interviewed felt that the value of this was not seen at student or employer level, but more at partner level. Such international accreditation could be useful, however, when CPA/ICAA are assessing offshore partners. When asked about the important areas that CPA/ICAA should concentrate on for offshore accreditations, some interviewees emphasised the need for high quality partners, ability to provide appropriate facilities, resources and staff.

Professional Bodies, Employers and Offshore Partner Institutions
Interviews were conducted with representatives from professional accrediting bodies (HKICPA, ACCA, ICPAS, CPA Australia, Hong Kong and Singapore Divisions) statutory bodies (HKCAA), higher education institution managers, academics, and employers in Hong Kong and Singapore. A number of issues and trends emerged from the research findings. The primary issue was about the role of the professional bodies and their relationships with each other. Each of the professional bodies views their role as supporting the profession with a focus on continuing professional development. While the market for members inevitably overlaps, each sees that they have distinctive features that differentiate the products and services they offer.

For example, as an accrediting body, CPA Australia distinguishes itself by offering membership to students studying their accredited non-local degrees that may be particularly appealing to graduates wanting to practice in Australia. ACCA has a different market and distinguishing features. As a global professional body, ACCA markets its global membership base and the international links and networks that accompany that base as a distinguishing factor. The HKICPA and ICPAS market their services as being specifically tailored to their local regions and employer needs. Increasingly, this is perceived as key driver of student interest in programs that are accredited/recognised by these two bodies. This is particularly evident since HKICPA recently began accrediting local and non-local programs in their own right. Similarly in Singapore, ICPAS is about to commence its own accrediting processes, rather than relying on and recognising the accreditation processes of other professional bodies. This increasing focus on raising the profile of the local professional bodies may negatively impact the demand for Australian MPA courses, many of which are accredited by CPA Australia and not the local national body.
In terms of demand for Australian MPA programs in Hong Kong and Singapore, all respondents were clear in the beliefs that the market for this credential was reducing. None of those interviewed believed that the market was growing. Respondents indicated varying reasons for the decline. Several reasons for the decrease in demand were provided by interviewees including a lack of local content in Australian programs; the extended length of the Australian offering (12 courses); concerns with the quality of Australian teaching staff; the increasing focus of students on graduating from a program that is accredited and recognised by the respective national accounting body (HKICPA and ICPAS); the growing market and demand for qualified accountants in China; the importance of establishing the program with a strong local partner; and the decreased demand of accounting graduates for migration from Hong Kong.

**Recommendation and Conclusion**

**Revising CPA/ICAA Accreditation Guidelines**

The focus, when accrediting MPA programs in offshore locations, should primarily be on how effective the Australian provider’s quality systems are when being implemented offshore, and the quality systems of the partner institution. The evidence that is required for accreditations should focus more on *equivalence and comparability with onshore standards* rather than on the wider set of criteria that an onshore accreditation might encompass. Strengthening this process may include the development of a process to review and compare student learning outcomes in terms of assessment grades and employment outcomes for graduates across the various locations where a degree is offered.

With the recent focus on and concerns with the English language and business communication skills of accounting graduates from Australian accounting degrees (Birrell, 2005; Birrell, 2006), it is timely to consider the role of the professional accounting bodies in terms of the English language standard deemed acceptable for entry into the profession (Birrell, 2006; Jackson et al., 2006).

**Linking Local Accounting and Professional Accreditation Bodies**

As described in the section of literature and documentary review, this paper identified the links between local and foreign accrediting and quality assurance bodies. The identified various stakeholders at different levels are presented as a starting point for others to review, refine, develop and contextualise to their unique operating environments.

**Understanding the Local Environment**

The importance of understanding the local environment and, in particular, the role and operations of the professional accrediting and quality assurance agencies and bodies that operate in the local context is critical. Developing these relationships prior to the introduction of Australian MPA programs has the potential to influence the program design and strategic focus for marketing of the program.

**Key Quality Assurance Issues for Professional Accreditation in Transnational Education**
Partner selection, the agreement, finance, policy control, graduate attributes, language, assessment and moderation, academic support, staff and review are some of the key quality assurance issues identified by AUQA (2006) are of relevance to the delivery of offshore MPA programs.

To conclude, the research findings reported in this paper indicate that considering the unique interests of offshore stakeholders, particularly, graduate employers and local professional accounting bodies in the program design and delivery will ensure that accounting programs maintain their relevance in each offshore location, their viability as a strategic initiative for Australian Universities and hence their enhanced professional standing.

References
TWO APPROACHES TO INTEGRATING ETHICS INTO THE BUSINESS CURRICULUM

Brian McKenzie
Department of Marketing and Entrepreneurship
California State University, East Bay
25800 Carlos Bee Blvd.
Hayward, CA, USA 94542
Phone: 510-885-2858
Fax: 510-881-0672
E-mail: brian.mckenzie@csueastbay.edu

Berna Polat
Department of Management and Finance
California State University, East Bay
25800 Carlos Bee Blvd.
Hayward, CA, USA 94542
Phone: 510-885-2064
Fax: 510-885-4796
E-mail: bernapolat@csueastbay.edu

ABSTRACT

Recent American business scandals have encouraged students, faculty and employers to place increased value on the teaching of ethics in the business curriculum. This paper describes how two California professors integrated the study of ethics into business courses and responded to the challenges of teaching ethics to a culturally diverse student population. We first review the theoretical and empirical literature on teaching ethics and provide evidence against the skepticism that ethics cannot be taught. We argue that ethics can, and should, be taught, even though it presents many different challenges to instructors. We then discuss how we each tried to overcome these challenges through different instructional strategies in teaching our own courses. The paper proceeds with a description of the fieldwork that illustrates specific challenges and the results of our experiences as instructors in this field. Next, we detail our individual applications of the demonstrative and the constructivist approaches to the curriculum design for our undergraduate courses incorporating ethics. Our students report high satisfaction with both approaches. We conclude that cultural diversity is a characteristic of the student population that actually contributes to learning ethics in the classroom and that needs to be embraced. We hope our experiences illustrate effective techniques which can be used in teaching ethics-based curricula and encourage other instructors to further develop pedagogy for student engagement in ethics discussion.
Use of Hierarchical Value Mapping in Health Services Research

Tom J. Sanders, Ph.D.
Stephens College of Business
University of Montevallo
Montevallo, Alabama 35115
(205) 873-2230
sanderstj@montevallo.edu

ABSTRACT

Addressing value creation in the health care system is an important topic in light of rising costs and increasing access barriers. Value creation at the systemic level must be related to value creation at the consumer level. Hierarchical value mapping methods borrowed from marketing research represent a useful tool for identifying what creates value for consumers of health services. Using these methods, restructuring of the health care delivery system can be addressed in the context of consumer value creation. This paper demonstrates how these methods can be used to identify health care consumer values and thereby facilitate increasing the value delivered to them by the health care system.
Curriculum Revision Considerations: The Voice of Experience

Martha M. Pointer, Ph.D., CPA
Associate Dean
College of Business and Technology
East Tennessee State University
P. O. Box 70710
Johnson City, TN 37614
423.439.5314
Pointer@etsu.edu

Curriculum revision is one of the most daunting challenges facing faculty. The process is full of pitfalls and hurdles. However, these problems can be overcome. In the following discussion, the ten things that must be considered are listed and evaluated. Although many of the factors appear to be self-evident, programs often find them to be insurmountable hurdles. The paper discusses such potential problems as faculty involvement, planning activities, resources, and stakeholder considerations. By keeping these warnings in mind, a curriculum revision can be a rewarding and productive endeavor.
Hyperlinking to Avoid Transfer Shock

Merrilee Cunningham & Ruth Robbins  
University of Houston Downtown
Deborah Buell  
Shea Writing and Training Solutions, Inc.  
Houston, TX
Erin Hodges  
University of Houston Downtown
ABSTRACT

Many colleges and universities have used their website to enhance academic performance for different student groups such as returning students, minority students, and transfer students. A few institutions have even set up special sites for transfer students. Moreover, four-year colleges and universities are increasingly making transfer student information an integral part of their website as a response to multi-institutional enrollment trends. Enrollment research shows that the proportion of students who attend more than one higher education institution (at the same time or sequentially) has gone up from less than 40% of collegiate students in 1970 to more than 60% today (Bers, Filkins, & McLaughlin, 2001). In light of this, every institution ought to conduct institutional research, use statewide research, and participate in joint community college – university research. This paper is about the transfer student in the context of the higher education website, its function for the transfer student, best usage models and collection and analysis of data from the state of Texas to assess the level of linkage between the community college and the four-year colleges and universities.

Hyperlinking to Avoid Transfer Shock

Many colleges and universities have used their website to enhance academic performance for different student groups such as returning students, minority students, and transfer students. A few institutions have even set up special sites for transfer students. Moreover, four-year colleges and universities are increasingly making transfer student information an integral part of their website as a response to multi-institutional enrollment trends. Enrollment research shows that the proportion of students who attend more than one higher education institution (at the same time or sequentially) has gone up from less than 40% of collegiate students in 1970 to more than 60% today (Bers, Filkins, & McLaughlin, 2001). In light of this, every institution ought to conduct institutional research, use statewide research, and participate in joint community college – university research. This paper is about the transfer student in the context of the higher education website, its function for the transfer student, best usage models and collection and analysis of data from the state of Texas to assess the level of linkage between the community college and the four-year colleges and universities.
Arthur M. Cohen notes that students who transfer with greater numbers of community college credits do better than those who transfer with fewer college hours (Cohen & Brawer, 2002, 64). Very often, however, when a student moves from a community college to a four-year college, he or she has not completed an associate's degree, suffers social dislocation and anxiety about separation from friends and family, must travel greater distances, moves out of her community, has new financial considerations to deal with, may be concerned about the relative lack of remedial help available, and often goes from a relatively homogenous student body to a student body that represents a greater cross-section of a town or city. A community college represents an egalitarian community in its lack of admissions requirements which may make its training suspect at non-open door four-year colleges or universities. As W. Norton Grubb notes in “Honored but Invisible: An Inside Look at Teaching in Community Colleges” (Grubb, 1999, 237) "Sometimes the exigencies of trying to get students through a program take precedence over any standards set by transfer requirements. This observation leads to an obvious explanation for transfer shock." A four-year college may be much larger, more anonymous, and the familiarity with community college procedures may not help the student at a four-year institution or many actually disadvantage the transfer student. Some of the problems now faced by community college transfer students at four-year colleges would not be faced by students who were sufficiently oriented to their new environment. Some of the problems are as follows: (1) inability to understand university policies and procedures; (2) lack of familiarity with university policies and procedures; (3) alienation caused by classroom cliques; (4) difficulties in understanding new university academy and faculty requirements including registration, financial aid, drop periods, degree requirements, and advisement (Diaz, 1992). In all actuality, these are just a few of the problems that a transfer student is likely to have. Scholars have noticed additional problems that are directly related to the disciplines of the courses taken by a first-semester transfer student. Ceida, Kaylor and Rewey noticed that math and science GPA's go down when a student transfers from the community college to the four-year college (P. 10). Many transfer students from two-year colleges are used to a directive, nurturing environment, not found as easily in four-year colleges. Community college faculties were letters grade more lenient in grading English themes than faculty from four-year colleges. Fortunately, scholars have pointed out that there are many potential tools to help solve problems caused by the transfer process. Let's look at some of the work that university systems have done to tackle these very real problems related to transfer shock as a student moves from a two-year community college to a four-year college or university.

Some of the recommendations for attacking the problems of transfer shock of the California study divide the responsibilities for addressing transfer shock between the community colleges and the four-year segments. The Report of the Institutional Self-Study of The University of North Carolina at Ashville actually lists many of the following suggestions and divides the responsibilities for alleviating transfer shock between the school that the student is transferring from and the school that the student is transferring to. The studies recommend that the community college should do the following: (1) Implement advisor training programs both institutional and in concert with
local four-year institutions; (2) Install a computerized transfer course equivalency system; (3) Prepare the student before the transfer phase; (4) Develop better procedures to clarify transfer-oriented students at entrance; (5) Place greater emphasis on counseling, testing and remedial programs designed to increase the ability of students who transfer; (6) Develop better affirmative action and financial aid programs aimed at identifying and assisting traditionally under-represented students in transfer programs; (7) Encourage the creation of linkages between community college and university websites by using the teaching and learning center website - transfer student section - Transfer Resources; (8) Sponsor transfer readiness events and follow-up study and review support programs.

The four year-college would have the responsibility for the following segments: (1) Implement an advisor training program both in cooperation with local community colleges and in house (2) Install a computerized transfer course equivalency system (3) Prepare students before the transfer phase with a summer orientation program that includes use of the university website, transfer student website and computer facilities. (4) Cooperate in the development of improved advisory programs, especially in biology, chemistry, math, physics, accounting, English and economics, areas where the student is likely to experience transfer shock. (5) Develop inter-institutional counseling and orientation for transfer students (6) Encourage the creation of linkages between community college and university websites by using the teaching and learning center website - transfer student section and hyperlinking. (7) Maintain a regularly updated calendar on the Teaching and Learning Website so that a student can expect to be able to follow it as a compassing guideline. (8) Organizer transfer student cohort group enrichment program (9) Identify mentoring faculty (10) Install a merit rewards program (11) Implement policies that encourage a good institutional fit (If you don't have a nursing school, shouldn't you advise a student who wants to be a nurse to go to a college where his major is available?) (12) Encourage articulation agreements between local community colleges and four-year colleges (Green, 2001). Theoretically then, major work has already been done dealing with transfer shock. The Ford Foundation grant to the National Center for Educational Alliances to develop transfer centers in urban community colleges (Zamini, 2001, 18). One best practices model would be The Glendale Community College Program in California. (www.glendale.cc.ca.us/articulation-links.html).

Oregon has a Joint Boards Articulation Commission including members from Linn-Benton Community College, Oregon University System, Oregon State University, Chemeketa Community College, Oregon Institute of Technology, Southern Oregon University and the Community Colleges and Workforce Development Board and the minutes of the meetings are available on the web (Oregon University System, 2001, March 14). Those minutes include a very interesting draft of Principles for Practice: Transfer Student Admission and the Proficiency-based Admission Standards System.

If the states of California, Oregon, Illinois and North Carolina are leaders in the area of transfer shock, the state of Texas has work to be done. One of the elements that these California and Oregon programs have in common is hyperlinking. Certainly, a tremendously important element of facilitating the student transfer is hyperlinking.
between the local community colleges and the colleges and universities in the surrounding area. One could argue that hyperlinking is a simple method of aiding the student who is attempting to conform his or her work towards an Associate's degree to his or her later work for a Bachelor's. Thus it becomes a useful indicator of fairly primitive cooperation between junior colleges and local four-year colleges or universities. In our study (see Table 1), we examined 33 community colleges’ website homepages to determine if they included any hyperlinks to information on transferring to four-year schools or if they contained in other informative on-line locations references to transfer to four-year schools. Specifically, the following questions were asked: (1) Are there hyperlinks regarding transfer to four-year schools on the website’s main page? (2) Is this school a part of a community college system? (3) Is this school in a small town, medium size town (such as Corpus Christi, Waco, Harlingen, Midland, Laredo, or McAllen), or large city (such as Houston, Dallas, San Antonio, or Austin).

<table>
<thead>
<tr>
<th>School</th>
<th>Are there Hyperlinks?</th>
<th>Community College School?</th>
<th>Small town, Medium or Large Town</th>
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<tr>
<td>Northwest Vista</td>
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<td>St. Phillip’s College</td>
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</tr>
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</tr>
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<td>Austin Community</td>
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<tr>
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<td>Collin County CC</td>
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</tr>
<tr>
<td>Cedar Valley</td>
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<td>Jacksonville College</td>
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<td>Midland College</td>
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<td>Odessa College</td>
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<td>Paris Junior College</td>
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<td>MEDIUM CITY</td>
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</tr>
<tr>
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<tr>
<td>Tyler Junior College</td>
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<td>SMALL TOWN</td>
</tr>
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<td>Victoria College</td>
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</tr>
<tr>
<td>Western Texas College</td>
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<td>SMALL TOWN</td>
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</tbody>
</table>

Of the 33 schools, 9 of the 33 were within a community college system and 24 of the 33 schools were not listed as being a part of a community college system; 18 of the 33 schools were in small towns, 7 were in medium size towns and 8 schools were in large cities. None of the homepages for the schools which were viewed was found to contain any such hyperlink to information on transferring to four-year schools or any other informative reference to transfer to four-year schools. Unfortunately, while we have gone a long way theoretically, in the real world of academia, we are only beginning to cooperate with our fellow institutions for the benefit of our students.

If students could use hyperlinks, they could plan their transfers more efficiently. It would assist students if community college webmasters have a section of their website called "Transfer Resources" that asks the simple question: "Do your plans include transferring to a local four-year college after community college?" If they do, then pathways need to be put into place to help the transferring student find out about financial aid, transfer admission, catalogues, camps, virtual tours, and credit. Links between the website at the four-year college and the community college can match the community college courses that the student intends to take with those transferable to the four or five most likely landing spots of the community college student. Names like "UH Transfer Assistance," "UH Mentor," "UH Pathways," UH Compass" clue the student in on what he or she is going to see and a link from the community college site gets them there early. If a community college student is not transferring locally, a box could be provided with "Transferring to a Private, Independent College or to a College Outside of the State of Texas." "Here are some websites that you will find helpful" could save the day. California has a fabulous website like this called "California Colleges.edu." It will connect the transferring student to every college in the state of California, public and private.

Academics have long studied that moment when students transition from one kind of academic environment, like a high school to a community college, a high school to a university or a community college to university and they have studied the transfer shock, particularly in math and science courses, that accompanies those moments of transfer to what may be larger classes, less accessible instructors, and a relatively anonymous environment.

These websites offer great advice about how to succeed in the new educational environment. They suggest that the student join clubs to connect, volunteer for research projects, and visit her professor during his or her office hours. Indeed, one of my favorite "transfer shock" websites has a wonderful picture of lightning hitting a campus with the words "avoiding transfer shock" next to the lightning. Almost any four-year college that one transfers to should have a transfer orientation program to help the transfer student
meet key people who can help them find their way into the right classes, adjust to the different university or college ambience, take placement tests and use the library and other facilities at their new intellectual home. But orientation, even if the students shows up for it, typically last only a day or two, and students often forget. Meeting with an advisor can help the student understand what to do immediately and in the long run, as well as, introduce the student to the infrastructure of the institution. Making the successful transfer to the senior institution requires that the student have a transfer-friendly website so he or she can know where to go for what, who can and will help, when something has to be done. These are simply the tools for enhancing the academic performance and comfort level for all transfer students, minority, returning, and otherwise.

It is important to realize that there are tools to remove the barriers to successful transfer. Many universities offer a computer checklist to make sure that the student has covered all the bases. Eastern Kentucky University has a wonderful on-line transfer student page. Transfer students can go through a list of different needs including what transfer shock is, possible differences between Eastern Kentucky and the student's last school, pre-registration periods and sequencing, an academic road map, 60 hour recommendations, and the University Writing Requirement. The Transfer Student Page takes the student on-line through key areas of the undergraduate catalogue, the semester's pre-registration schedule book, and the student handbook. There is also an excellent section on scheduling classes, working with your advisor, the drop-add period, MWF and TR class patterns, withdrawing from a class and other areas. There is even a section on Academic Success; the Dean's List; Good Standing; Warning: Probation; Academic Dismissal and Developmental Dismissal. What four-year colleges are looking for is a successful transfer model for computer assisted orientation during the first semester. Although advisors are an important resource for transfer students, so is the section of the university website that is especially developed for transfer students. Though the student's major may be a more important indicator of the likelihood of transfer shock than even the distance that the student travels from his old school to his new school, even that can be ameliorated with the proper preparation and the community college linkage to the transfer student website.

Community college grade inflation may tend to make the four-year college's indigenous students superior to the community college transfer students who were funneled out of higher education originally and now have returned to the protected status of the indigenous students. Universities are beginning to realize that transfer students need a place on the university website where they can look at both what the university requires of them, what courses they should take as community college students that will minimize the transfer shock experience, and what assets are available to them that will help the students meet those requirements.

One of our favorite formats for a transfer student website just asks the questions
that a transfer student needs to ask and the student can click on the question for the answer. Here are some of the questions that are answered on the Transfer Student’s Guide for Rutgers University: “How do Transfer Students find out whether or not they are required to take any of the Writing Program’s courses? … What is the Writing Placement Test and when is it offered? … What should I do after I learn my placement? … If I did not do well on the English placement test, can I take the test again? All the listed questions are answered in the Transfer Student’s Guide to Rutgers in New Brunswick. (http://newtoru.rutgers.edu/faqs/writing_placement.html)

At the time this paper was written, Rutgers Douglass’s Transfer student computerized program not only answers pertinent questions but, also, provides an on-line link to the placement testing center and a contact Dean both online and by telephone. This helpful site looks like this:

"Question: Do I have to take Placement Tests?
Answer: You may need to take Placement Tests if you have not completed an appropriate math, writing, and/or foreign language course at your previous school. To find out if you need to take Placement Tests, consult the Transfer Student Handbook (that you will receive in the mail) or go online to http://www.douglass.rutgers.edu. Click on "New Students," then look under "transfer Students" and follow the link to Placement Tests. If you are entitled to the extended testing test under ADA/Section 504, you will have to make alternate arrangements to take the tests. Contact Dean. S. Beth Howard as soon as possible at sbhoward@rci.rutgers.edu or (732) 932-2999, ext. 1000."

One of the many wonderful things about Rutger's website for transfer students is that the website introduces the new students to the Dean of Transfer Students at 732-932-2908, Ext. 109 or rreynold@rci.rutgers.edu. There is a particular office and person where advice can be given, but the website also gives excellent advice like “not trying to take too many courses the first semester and not putting off declaration of the major”.

Part of the problem with Rutgers’s website, though, is it is not as good on issues of counseling services, financial aid information, writing preparation and computer literacy. If the best way to access information is on the computer, but the student did not come to Rutgers with a computer and the system makes it difficult for the first time student to access his IT account in the computer center, there will be problems. An orientation that signs the student up for his computer account before classes begin is a powerful success tool.

Nonetheless, the Rutgers System is clearly a step in the right direction in dealing with transfer shock.. Diaz's meta-analysis of 62 studies show that 67% of students recover from transfer shock, but that transfer students have lower gap's and higher attrition rates than native students (Diaz, 1992). At some point, a study of transfer students’ success rates in the Rutgers System would be helpful. The Oregon State System study shows that "Black, Native American and Hispanic students, whether community college transfer or students who originally started at a four-year campus, graduate at lower rates than Caucasian and Asian-American students, though small sample sizes may lead to an unclear picture of what is actually happening in this area". (Oregon University System,
Dealing with transfer student adjustment even M. Lee Upcraft in *The Freshman Year Experience* notes that "Hispanic students who transfer often experience transfer shock the first semester at the senior institution as they try to adjust to a larger university environment" (P. 272).

The on-line Teaching and Learning Center is the best place to address issues of Transfer Shock. Since it corresponds to an actual office, the student who cannot solve his or her problem on-line has an office to go to or a phone number to call. But there is little likelihood that the on-line Teaching and Learning Center will help the student solve the problem by simply giving the student the information that he or she needs to register in a timely fashion, discover how to get to the math lab should there be a problem with understanding a math problem, or solving any of the other many issues that a student may have to solve in an unfamiliar place. Since the on-line Teaching and Learning Center already has a Compassing Operation, there is no reason why a special compassing section cannot be created for the transfer student so that he or she can articulate what is going on when he finds himself incompletely oriented to the behaviors that will cause a successful transfer of his work from the community college experience to his new academic home in a four-year institution. Long after the student considers him or herself a recent transfer student, she will be able to return to the teaching and learning center for information relating to graduation, honors programs, upper level courses, and even a senior project. And she will return because the Transfer Student Help Page of the Teaching and Learning Center has helped her solve problems in the past. It functions as a guide, ready to answer specific questions specifically, ready to provide the right phone number, address or website of the advisor, tutor or dean who can solve the problem. It is able to answer questions twenty-four hours a day, seven days a week. But if the Transfer Student calendar is not kept up to date, if telephone numbers, months, and addresses are allowed to change without being changed in the On-line Presence of the Teaching and Learning Center, then it is worse than useless. A transfer student site on the Teaching and Learning Center website of a four-year institution, is a valuable retention resource if done well, kept up-to-date, and properly maintained. Defending a transfer alliance program, Laanan notes that "institutions of higher education are in a strategic position to increase student access and participation in the transfer pipeline, and to provide students with programs for rigorous academic training as well as opportunities to participate in formal articulation agreements with senior institutions."
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Learning in higher education, which depends on effort, commitment and motivation on the part of the students may be influenced by institutional models defining the relationship between students and professors/instructors. Many college models defined the relationship as purely business-like where the students are regarded as costumers. Other models suggest the students to be clients or patients. Yet, some institutional cultures recognize the student as medieval apprentice. Using labor-leisure model, this paper shows theoretically that students would put less efforts and commitment in learning in higher education in environments where they are treated as rational consumers than they would in other models.
Increasing Customer Loyalty

Kevin Mason, Arkansas Tech University
Alice Batch, Arkansas Tech University

ABSTRACT

Customer loyalty is a hot marketing topic. Many companies have turned to customer service programs designed to increase service quality in an attempt to meet or exceed customers’ expectations. These programs are based on the assumption that satisfied customers translate into repeat purchases, thus leading to positive financial results. But does customer satisfaction lead to customer loyalty? This conceptual paper explores this relationship.

INTRODUCTION

A common desire among marketers is to have a target market which exhibits strong customer loyalty. The benefits to the marketer include customers making repeat purchases, purchasing across product and service lines and giving positive referrals to other potential customers. To accomplish a base of customers with strong loyalty many organizations have engaged in efforts to gain customer satisfaction hoping this would lead to customer loyalty. However, the concept of customer loyalty requires an outside-in focus that is geared more to behavior than just pure satisfaction levels. While customer satisfaction is still an appropriate goal, training and organizational planning should stress tactics that will ensure bottom-line customer loyalty.

THE CUSTOMER SATISFACTION QUANDARY

Although, wanting to build systems from the perspective of the customer’s experience – from the outside in – many companies establish standards or procedures created from the inside out (Capezzi, Ferguson, and Cuthbertson (2004). From the newspaper it is not difficult to find examples of companies meeting their customer satisfaction standards while losing the customers.

The Sacramento Bee, May 27, 2002 newspaper had the following headline: “Broke But Beloved,” which begins “Say this for WINfirst, the troubled cable, telephone and Internet provider: It has very loyal customer despite filing for Chapter 1 bankruptcy protection in March… Another headline reads “Loyal Following Couldn’t Keep Jacksonville, Michigan-Based Jacobson’s Going” (The Florida Time-Union, July 27, 2002).

Several assumptions are involved in efforts to influence a customer’s attitude. One assumption is that internally developed quality standards of service lead to customer satisfaction. A second assumption is that high levels of customer satisfaction result in a high volume of repeat purchases. Another assumption is that measurements of customer
satisfaction can predict a customer’s future behavior. Each of these assumptions presumes a cause-and-effect relationship.

Those assumptions began to fall apart in the real world as suppliers had different experiences (Keiningham, Vavra, Aksoy, and Wallard, 2005). For example, a large sporting goods company found no increase in repeat sales or volume between comparable groups of stores despite the fact that one group of stores had launched a customer satisfaction program and the other had not. Another retailer found that the slight increase in the volume of sales did not justify the cost of its customer satisfaction program. The Forum Corporation reports that up to 40 percent of the customers in its study who claimed to be satisfied (by typical attitude measures) switched suppliers without looking back.

Nordstrom has discovered that its reputation for customer satisfaction has so inflated customers’ expectations that it is difficult to meet them. Other companies have found that their tactics have been matched by their competitors, and they can’t find the competitive edge. The shifting desires, demographics, and needs of consumers have made it difficult for companies to accurately predict customers’ attitudes and respond to their expectations. Based on such factors, companies need to move beyond customer satisfaction and focus instead on establishing measurable customer loyalty.

BUILDING CUSTOMER LOYALTY

Building a system that influences customer loyalty requires organizational planning across departments and functions. The goal is to implement tactics that will yield increasingly higher levels of customer loyalty. Such a system requires a mix of marketing, research, training, and motivation techniques. The methods must fit the company and its customer base. Once the correct mix is determined and put into use, a new measurement known as the Customer Loyalty Index replaces, or supplements, the traditional Customer Satisfaction Index.

We need to establish a new baseline for customer loyalty. Research reveals the level of repeat purchases, volume of purchases, number of referrals, and degree of competitive incursion, but further study can identify the aspects of a supplier’s product and service that create customer loyalty. The analysis may begin with the usual “satisfiers,” but it should then examine the real data pertaining to loyalty. For example, ask what is creating loyalty among certain customers and what the company can do to increase and extend it.

It’s also important to learn what kinds of pull from competitors are likely to succeed and how a company can bind its customers closer to it, so that they aren’t attracted to the competition. It may be appropriate to look at the full range of research tactics—surveys, focus groups, mystery shopping, and cross-industry analyses. A Customer Loyalty Index allows a company to gauge, monitor, and make strategic changes.

MARKETING FOR CUSTOMER LOYALTY

Marketing programs must focus on attaining loyalty. Successful marketing efforts such as Northwest Airlines’ frequent flier program demonstrate at least one approach to
increasing customers’ intentions to make repeat purchases. Trying to earn points on such things as hotel stays, movie tickets, and car washes—gets Northwest’s customers involved and helps keep them loyal, regardless of service issues or price promotions by competitors.

Between purchase points, database marketing programs keep tabs on customers. A company that tracks the life cycle of a typical product or service and a customer’s behavior can target special promotions, coupons, or incentives to the right customer at the right time. Such an approach produces more on-target, cost-effective promotions than do mass mailings, which often yield very low responses. Marketing promotions may be a key to introducing new products and services that will be compatible with customers’ previous purchases. Companies can use credit card records to get a picture of customers’ demographics and their purchases. That provides an automatic follow-up for further customer communications. Finally, data from customer research, the CLI, and marketing results must be gathered, massaged, and delivered in an integrated, meaningful manner to all levels of the organization.

**EMPLOYEE TRAINING AND MOTIVATION**

Special sales and service training is another element that must be integrated into an overall system for building customer loyalty. Training must emphasize the cross sell, or suggestive sell, in which complementary products or services are added to the basic purchase. While much of traditional customer satisfaction training has been based on interpersonal relations and operations, employees must now acquire the means to build customer “attachment” to the product, service, brand name, and buying experience.

A frontline sales or service employee must be able to identify the customer needs and expectations that will bring repeat business. One way to increase loyalty is to exceed a customer’s expectations by offering an added value. Employees can also be trained in “relational” selling techniques, which attempt to form a bond that the customer cannot find elsewhere. Once a bond based on service or a relationship with an employee or supplier has been established, a customer may feel guilty about breaking it. Or the customer may simply think it’s not logical to go elsewhere.

First-level supervisors and managers must be trained to manage the life cycle of loyalty in a local customer base. Such training entails coaching employees, providing systems and procedures for customer follow-up, responding to local loyalty index data, and recognizing and rewarding employees for gaining customers’ loyalty. It’s critical that local employees and managers thoroughly understand the company’s overall strategy including research, marketing, training, and incentives.

Providing employees with incentives, usually after training, is a key to organizational change or refocusing. Once the organization establishes objectives for attaining customer loyalty, it should recognize and reward employees and managers who meet the objectives. For example, incentive programs can target individual employees and reward them for increasing the dollar volume of single purchases or the number of walk-in referrals. Employee groups can also set goals and be recognized as teams. Whatever the approach, incentives should be based not only on internal standards of performance or quality but also on very real results.
A system for increasing customer loyalty requires a combination of ongoing research, marketing programs, and employee training and motivation. In the past, the focus has often been on a single aspect—a training program, a marketing plan, or an incentive tactic. The task is now clear. The company simply concentrates its practices, communications, procedures, as well as training, marketing, and motivation techniques on achieving customer loyalty. Such an approach should result in building the desired culture from top to bottom.

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Open Source vs. Proprietary Software for Regional Public Universities: A Study of Knowledge Transfer
Bradley Moore, Wayne Bedford, and James Todd

Abstract
This is a preliminary study of the effectiveness of knowledge transfer when using Open Office to teach office applications such as word processing, electronic spreadsheets, and presentations in stead of Microsoft Office. Two sections of a microcomputer applications course were evaluated with performance tests – one with Microsoft Office 2003 and the other with Open Office (v2.02). Simple t-tests were used to determine whether differences in test means exist. The results can be used as part of the criteria to determine if a university should adopt open-source software.
Open Source vs. Proprietary Software for Regional Public Universities: A Study of Knowledge Transfer

Open-source software is often seen as a low cost alternative to the use of proprietary software by businesses, schools and other organizations that frequently find resources scarce, particularly when operating in the public sector (Duderstadt, 2002). However, other factors such as training cost, file compatibility, and support availability should also be considered before adopting open-source solutions (Alfonsi, 2005; O’Hara & Kay, 2003). Schools and universities that use proprietary software for instructional purposes also should consider how well the open source software provides the necessary knowledge level for the students. Since Microsoft Office currently has 95% of the office suite market (Hamm, 2006), it is important that the level knowledge transfer between open source and proprietary software is evaluated. This paper presents a study of knowledge transfer conducted at a regional university during the fall 2006 semester.

Study Design

This study is based on a previous proposal (Bedford, Moore, & Todd, 2006) to examine the knowledge transfer that may occur when students are taught application suites (word processing, electronic spreadsheets, etc.) using open source products in lieu of proprietary products like Microsoft Office. The study was initiated using two sections of a freshman microcomputer applications course which is required for all students with a declared major in business and an elective for other students. The make-up of any class is generally varied and may contain students of all statuses (freshman to senior) and from all colleges, therefore, providing a good representation of the university population. Section one consisted of 28 students while section two had 27. Both sections met in the newest state-of-the-art computer lab with all systems configured with both Microsoft Office 2003 and Open Office Suite (v2.02).

The course is presented as part lecture, part self-taught tutorial from the text, and part laboratory with comprehensive case assignments. Both sections used the same text and associated assignments, but section two received lectures and completed the assignments with Open-Office rather than Microsoft Office 2003. Each component application (Word, Excel, etc.) is presented and a skills test is given to determine the level of knowledge and skill the student has attained. The student may use the text and any notes taken during the lectures.

The first day of class, both sections were informed that they would be participating in a pilot test that would compare the use of Open Office Suite (v2.02) with Microsoft Office 2003 Suite. At the completion of this first class period, the students were asked to complete a survey that provides a self-reported evaluation of the student’s basic skill level and background knowledge and allows for some comparison by section.

The results of individual application tests and the final exam will be evaluated to determine whether differences exist in the degree of skill attained as represented in the following hypotheses:

H1: There will be no difference in test scores between students using Microsoft Word 2003 and students using Open Writer.
H2: There will be no difference in test scores between students using Microsoft Excel 2003 and students using Open Calc.

H3: There will be no difference in test scores between students using Microsoft PowerPoint 2003 and students using Open Impress.

H4: There will be no difference in overall test scores between student using Microsoft Office 2003 and Open Office.

**Survey**

The survey instrument (appendix) provides the instructor with a self-reported evaluation of the student’s experience with computers, operating systems and applications, particularly Microsoft. It also allows the students to indicate their interest in the course and what they expect to gain. Of particular interest to this study are the responses to questions 2, 3, and 4 (table 1), since they relate to prior experience. The students were allowed to select more than one response to each question which may explain the high comfort and in-home usage levels in section 2; however, the reported usage of Microsoft Office is consistent in both sections and illustrates its high usage. Previous usage of Microsoft Office may facilitate the knowledge transfer.

<table>
<thead>
<tr>
<th>Question</th>
<th>Section 1</th>
<th>Section 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 – Comfort</td>
<td>71.4%</td>
<td>96.3%</td>
<td>83.6%</td>
</tr>
<tr>
<td>3 – PC at home</td>
<td>57.1%</td>
<td>88.9%</td>
<td>72.7%</td>
</tr>
<tr>
<td>4 – MS Office</td>
<td>60.7%</td>
<td>70.3%</td>
<td>65.5%</td>
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</table>

**Discussion**

Each section was given the same classroom lecture and tests. As for the lectures, the only difference was the actual application that was being covered, i.e. – MS Word vs. OO Writer, MS Excel vs. OO Calc, or MS PowerPoint vs. OO Impress. Probably the most frustrating aspect of this was the text. The text presented MS Office and contained extensive graphics for many of the steps the student was required to accomplish. This was not available for students in section 2 since they were required to use Open Office. For this reason, the classroom lecture for section 2 had to be modified to contain similar graphics during the lecture to point out what the student should be seeing when accomplishing the same steps that their counterparts accomplished during the similar step. This forced the student to take more notes or recall from memory what they were to do during a particular step in their assignments.

The Word/Writer skills test required the students to open a document from a network drive and reset the margins, add a title page with specific information and then make changes throughout the rest of the multiple-page document. They also were to add a header and footer, convert two questions to bulleted items, and take several “references” and place them in alphabetical order.

The Excel/Calc test proved to be a major hurdle for both sections. It consisted of one of the cases contained in the text with the addition requirement to create an x/y scatter chart with a trend line. This case was very similar to a tutorial that the students
had accomplished as an in-class laboratory assignment and two other homework assignments.

Although a very short instructional portion of the course, presentation application software (PowerPoint/Impress) seems to be an enjoyable part of the class. The test required the students to create a presentation from an existing outline, modify fonts on the master slide, add appropriate transitions and animations, and add a summary slide.

The final exam is considered comprehensive due to the nature of the exam: covering Word/Writer, Excel/Calc, PowerPoint/Impress, and Access. Students were required to integrate the applications learned throughout the entire semester. For example, linking spreadsheet data to a word processing document so that the spreadsheet data can change as it is updated and incorporate data found in a word processing document into a presentation application.

Results

Results for the tests in each of the two sections were recorded and evaluated for differences. Due to the small sample size, simple t-tests were used to compare the means of the samples. Each test was administered independently, so more complex methods of evaluation were unnecessary. Table 2 presents the results of the comparisons. Excel’s data analysis tool pack was used to perform all calculations with a level of significance (α) of 0.05. The number of observations for each test is less than the number of registered students due to no shows who received a score of zero. These scores were deleted from the data since these students chose not to participate in the test. The t-tests clearly indicate that, for this data, there are no significant differences between the section averages.

<table>
<thead>
<tr>
<th>Table 2. Comparison of Differences</th>
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<td></td>
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<tr>
<td>Word</td>
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<td>Mean</td>
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<td>Variance</td>
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<tr>
<td>Observations</td>
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<td>Pooled Variance</td>
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<td>Hypothesized Mean Difference</td>
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<td>P(T&lt;=t) one-tail</td>
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<td>P(T&lt;=t) two-tail</td>
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<td>t Critical two-tail</td>
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<td>alpha=.05</td>
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</table>

Page 875 of 992
Conclusion

Although limited in scope, this simple study indicates that there is a knowledge transfer present when using open source products to substitute for proprietary products such as Microsoft Office. This indication could make the adoption of open-sourced products more feasible to the cost conscious university considering a switch to more economical software. However, the potential adopter should keep in mind the limitations of this study: small sample size, limited to Open Office vs. Microsoft Office, and a high self-reported experience level with Microsoft Office that could influence the test grades. Further evaluation of knowledge transfer should be considered before a final decision is made.

Preparing students with the necessary skills for today’s work environment should be the primary consideration of all educational institutions. Open-source products are seen as opportunities to reduce some overhead costs, but the transition should be undertaken with care. While cost is important, the contribution to the student’s skill and understanding can not be undervalued. This study should provide another useful evaluation tool.

References


Questionnaire

Expected graduation year:

2006
2007
2008
2009
2010
2011

[1] I have some experience with:
(check more than one as needed)

a  a PC running Windows 3.xx
b  a PC running Windows 95 or 98
c  a PC running Windows NT or 2000 or XP
d  a PC running Windows ME
e  Macintosh computers using OSX
f  UNIX/Linux
g  DOS

[2] When it comes to computers, I would characterize myself as:
(check more than one as needed)

a  comfortable and confident
b  good enough with things I know - nervous with new things
c  largely clueless but willing to try
d  hopeless - a total basket case

[3] Before this semester I was using:
(check more than one as needed)

a  a personal PC computer at home
b  a personal Macintosh/G3/iMac computer at home
c  UWA computer labs
d  Internet access through UWA
e  Internet access through a commercial service provider
f  Internet access not described above

[4] Prior to this semester, I was using and felt comfortable with the following software:
(check more than one as needed)

a  Netscape Web browser (any version)
b  news reader (any version)
c  Internet Explorer's Web browser (any version)
d  FireFox Web browser
e  a free mail service (e.g. Hotmail or NetCenter)
f  Eudora mail
g  Microsoft Office Suite (Word, Excel, Access, PowerPoint, Outlook)
h  Open Office (Writer, Calc, Draw, Impress)
i  Corel WordPerfect Office X3
j  FTP on a PC
k  Fetch on a Mac
l  telnet
m  a web page construction tool (e.g. FrontPage, Dreamweaver, NVu, Notepad)

[5] Have you ever done any computer programming? If so, please describe which languages and the nature of your background.

[6] Do you have a working computer at home right now? If so, please describe it and any peripherals it has (modem, printer, scanner, zip/jazz drive, etc)

[7] Are you currently trying to get a personal computer connected to the UWA network? If yes, how is that going?

[8] I am interested in this course because I want to be able to:
   (check more than one as needed)
   a  learn to use a computer
   b  download free software from the net
   c  use the Internet to find a job someday
   d  run a small business that exploits the net
   e  join a virtual community
   f  understand what the Internet is good for
   g  I feel like I know my way around the Internet
   h  have some fun in my spare time

[9] I expect the Internet to become a part of my life because:
   (check more than one as needed)
   a  I like to be where the action is, plus it's fun
   b  I know online resources will be valuable for my work
   c  I want access to online resources for my personal benefit
   d  It just seems to be an unavoidable fixture of the future
   e  Whoa - I'm not so sure it's going to be a part of my life

[10] I would characterize my attitude toward this course as:
   (check more than one as needed)
   a  excited and enthusiastic
   b  excited and enthusiastic but a little nervous
c very nervous about learning new computer skills
d concerned about how much time I'll be spending on all this
e confident that this is a valuable time investment
f curious to see if this is a worthwhile time investment
g frankly skeptical about this time investment
Assurance of Learning: A Theoretical Approach to Balanced Scorecarding

Patricia Hardin Mounce
University of Central Arkansas

Donna S. Smith
University of Central Arkansas

Keith Atkinson
University of Central Arkansas

Contact Information:
Patricia Hardin Mounce
Interim Chair, Associate Professor of Accounting
University of Central Arkansas
Burdick Business Building 309
201 Donaghey
Conway, AR 72035
Phone: 501-450-5311
Fax: 501-450-5302
E-mail: pmounce@uca.edu

Abstract
Universities accredited by the AACSB International have recently focused on assessment of teaching effectiveness and student learning outcomes, or assurance of learning. For a number of years, many colleges of business used standardized questionnaires as the primary vehicle to judge the effectiveness of their programs. These questionnaires succeeded at gathering information, but as AACSB moved to mission-based standards, universities were forced to assemble other types of evidence to support their claims of continuous improvement. One proposed view of the assessment process is based on strategic planning and balanced scorecarding, and incorporating Bloom’s Taxonomy as the framework for the cognitive process. That is, based on the mission of the college, the next step is to establish objectives and then determine balanced measures (internal/external, subjective/objective) using the levels of knowledge set forth in Bloom’s Taxonomy.
International Production and Operations Management: An Emerging Business Curriculum Option

By: Ebrahim Roumi and Edith Brideau

ABSTRACT

The rapid and accelerating pace of change that is driving the global economy is impacting the Operations Function in an unprecedented manner. Advances in technology, falling trade barriers, a shift to a global service based economy, and emergence of Brazil, Russia, India, and China as the next major economic powers, both as producers and as consumers, are all resulting in drastic changes in the techniques by which goods and services are produced, the relationship between the manufacturers as well as service providers from the developed countries and “the to be developed countries”, and the location of production/consumption of goods and services. The academics and practitioners with the expertise in the field of Operations Management are facing two challenging tasks. First, the theory of Global Operations Management needs to be developed. Second, the new generation of managers needs to be trained and prepared for the challenging era ahead of them. In this paper we attempt to highlight the changes that are taking place and propose ideas for developing new courses addressing the issues related to the field of International Production and Operations Management.

Keywords: Globalization, Global Manufacturing, Global Services, Operations Management, International production and Operations Management.
Motivating Students through Student Centered Learning Techniques in the Classroom

Angela M. Dzata, Ph.D.
College of Business Administration
Alabama State University,
Montgomery, Alabama 36104
Phone: (334) 229 – 7512,
E-mail: adzata@alasu.edu

Abstract:

Educators touch the future of their most valuable stakeholders: students. To produce better-prepared students for the future, instructors have to become coaches who monitor their students’ demonstration of knowledge, comprehension, and application of the concepts and theory embodied in the subject. The author describes effective techniques that stimulate students to internalize and apply the concepts and theory learned in business classes. The instructor devotes less time to talking and more time to teamwork, which actively engages students in the learning process. In the course, the author uses the components of the institution’s mission statement as the building blocks for students to demonstrate their knowledge and comprehension of the subject matter. The instructor’s mission should not be just to teach and nurture learning but also to ensure that students can apply what they learn. Teamwork and survey instruments will be used to measure and evaluate teaching effectiveness and students’ learning.
Intelligence Decision Support Systems Portal (IDSSP): A Proposed Model

Dr. David King, Ph.D
Department of Business Information Systems
College of Business, Tennessee State University
Telephone: (615) 963-7169, Fax: (615) 963-7139
Email: dking4@TNstate.edu

Governments, States and local’s levels worldwide are cynical of the threat related security system. The integrity, coherence and believes of national and international intelligence and security systems need a major restructuring. The study expands on an earlier framework that highlights the lack of Intelligence Decision Support Systems and methodologies, including the use of data and social mining techniques. The quality aspect has been the core debate among academics and government bodies. Both classical and existing data collection instruments were used to substantiate the study. The findings illustrates that there is a critical and comprehensive need for a complementary security strategies both at a national and global levels, along with practical solutions. This proposed model is intended to provide a viable conceptual and practical training to the intelligent community.

Introduction and Background

An intellectual development of intelligent decision support systems portal (IDSSP), using data and social mining (engineering) has emerged as an essential methodology to sustain collaboration, interoperability and integration (CII) at the state, local and national levels.
This has evidently become a contemporary priority since the cruel commitment of terrorism and recent security threats. This proposal aims to (1) develop a solid conceptual framework, (2) establish a permanent blueprint, and (3) set up a practical (hands-on) platform that will accomplish effective collaboration, urgent interoperability and advanced integration for the State of Tennessee and the nation as a whole.

The Problem

Department of Homeland Security (2006) and Jonas and Harper (2006) have indicated that there is a critical need for enhancing data analysis to discover previously unknown and significant patterns of potential homeland security threats. In this regard, both internal and external “risks and vulnerabilities” can be tracked and identified through the use of data and social engineering tools and training. Since 2001, there are persistent concerns of deficient intelligence decision support systems at a national level, as well as state and local levels. The inadequate framework for information security (Belasco, 2003 and DARPA, 2003) and intelligence set the US population at risk (e.g. the attacks of September 11, 2001 as well as the bombings at United States Embassies and its affiliations around the globe). Therefore, a critical involvement of scientific and academic contribution, in the form of (A) Intelligent decision support systems (B) data and social mining tools and (C) training is needed.

Successful counter-threat efforts require that global, regional, state and local levels have an effective knowledge and information sharing, collaboration, interoperability and integration competence, as well as intelligence data availability and accessibility (Relyea and Seifert, 2005). IDSSP project will secure that the intelligence committee can flawlessly gather, merge, cross examine, disseminate, and use threat-related information through advanced data and social engineering tools, techniques and training. Elsewhere, data mining is used to reduce cost and enhance research, in this proposal it is imperative that in IDSSP project can contribute to fulfill the gap of homeland security vulnerabilities in a timely manner and consequently, prevented risks and/or at minimum cost.

Objective

Firstly, this proposal aims to use data and social mining (engineering) tools and techniques to enhance intelligence decision support systems in the Department of Homeland Security (DHS) and Intelligence subgroups at the state, local and national levels. Secondly, the IDSSP project will provide successful, professional and intellectual training to the following Intelligence subgroups: Multi Functional Capabilities and Expert Communication Teams, within (1) Tennessee Emergency Management Agency (TEMA) (2) Tennessee Bureau of Investigation (TBI) at the state and local premises. The training will involve (A) the value and significance of data pattern and knowledge discovery, (B) useful data analysis, (C) successful data disseminating, (D) the use of significant intelligence Data and more importantly (E) interpretations of “causal relationships”. This is important because, data mining can only identify connections between behaviors and/or variables and not interpretations of data. Figure 1 below depicts the proposed framework.
The involvement of Tennessee State University (TSU), a Historically Black College or University (HBCU) is to provide (A) a professional and (B) effective decision support systems methodology to the State of Tennessee and its local intelligence communities that can:

Table 1: *IDSSP methodology*

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<td><strong>A</strong></td>
<td>Define and guide the execution of the decision support systems process</td>
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<td><strong>B</strong></td>
<td>Identify trends and present statistics in ways that are easily understood and useful</td>
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<td><strong>C</strong></td>
<td>Examine information of interest that is</td>
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Security threat-related intelligence (STRI) is achieved by gathering, merging, analyzing, and evaluating significant information from a wide-range of sources on perpetual grounds (Department of Defense, 2003). Effective threat-related prevention, protection, preparedness, response, and recovery efforts depend on timely, accurate, and actionable intelligence. TSU realizes that the intelligence decision support systems portal (IDSSP) is a central part of the Department of Homeland Security efforts, and therefore the training will primarily focus on the following areas:

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<th>Table 2: IDSSP Training</th>
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<td>Information gathering and recognition of indicators and warnings</td>
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<td>Intelligence analysis and production</td>
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<td>3.</td>
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<td>Intelligence information sharing and dissemination</td>
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<td>4.</td>
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<td>Law enforcement investigations and operations</td>
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**Training**

The training session will consist of seven courses and each training session will be provided at a specified location in each of the eleven districts of Tennessee once a year for the duration of the grant. Class size will be approximately 10-15 participants to enable personal attention and effective hands-on training. One of our key milestones is to train approximately 1,500 state and local employees over the three year grant period. The second key milestone will be to develop a platform that will facilitate collaboration, interoperability and integration across the various state agencies.

**The Project Approach**
The proposed framework is not intended to replace or replicate mission-specific intelligence and information management processes and systems. It does, however, help to provide control and enhance state and local data analysis, decision support systems and intelligence, developed through advanced training to carry out the rapid data interpretation, and identification of patterns and trends that may be indicative of an emerging threat condition. The focus of the IDSSP project training would include both conceptual and practical (hands-on), but not limited to, the following themes:

**Conceptual and Philosophical analysis:**

1. Identify and predict emerging risks and vulnerabilities via data and social mining tools
2. Training analysts to be able to structure an analyses and interpret the output
3. Clearly define intelligence data and information requirements of the state and local intelligence community, which prioritize and guide planning, gathering, analysis, dissemination, and reevaluation efforts
4. Understand and limit obstructions to intelligence decision support systems portal.

**Practicum (hands-on training) and demonstrations:**

5. Identifying information repositories and establishing the processes, protocols, procedures, and technical capabilities to extract intelligence information from those repositories.
6. Capacity to convert information into operational intelligence
7. Understand the state and local threat environments

Decision support systems teams and social mining analysts (state and local) in Tennessee will learn how to:

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<th>Table 3: Intelligence analysts participants</th>
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<tr>
<td>1. Blend data, information, and intelligence received from multiple sources</td>
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This training program is aimed to create, enhance, support the implementation of Multifunctional capabilities and expert communication teams as well as decision support systems (see Figure 1 above) programs. Concurrently, the proposed training will enhance efforts to address instant and, or emerging threat-related consequences and events.

**Training Program Expertise**

The following project personnel positions will provide training to support the core missions of the State of Tennessee intelligence communities. The Department of Business Information Systems in the College of Business, at TSU, has successfully provided extensive training and continuing education to individuals and organizations to enhance performance of their workplace duties. Research faculty in Information systems department have used numerous application softwares to educate management and executive decision support systems personnel that have realized their goals.

Management
The Office of Business and Economic Development (OBER) at TSU will manage the grant. Soumen Ghosh, the Director of OBER has had over 20 years of experience administering grants in the amount of $1 Million or more (www.tnstate.edu/ober).

Technical and Operational

The technical information intelligence trainers will come from the following areas: Criminal Analyst, Vulnerability Assessment Analyst, Hazard Analyst, Security Assessment Analyst, Critical Asset Protection Analyst, Field Intelligence Group, Joint Terrorism Task Forces and other viable agencies.

Partners:

The initial point of contact for information is assumed to be provided by the U.S. Department of Homeland Security (Relyea and Seifert, 2005), Department of Defense, Department of Justice, Oak Ridge National Labs (through our Y-12 connection), The Federal Bureau of Investigation, Tennessee Bureau of Investigation and other Local and State agencies and universities. OBER will also partner with TSU’s Pilot Center, created to prepare students for professional careers in the U.S. intelligence community. TSU is one of only four universities in the nation with a Pilot Center. The medium of information collection would be via telephone calls, Homeland Security Information Network, Joint Regional Information Exchange System, e-mail bulletins, for the receipt of the following:

– Immediate threat-specific information (classified and unclassified)
– Long-term threat information (classified and unclassified)
– Tactics and methods used by terrorists (classified and unclassified)

This training program is aimed to create, enhance and support the implementation of multifunctional capabilities, expert communication teams and decision support systems (as depicted in figure 1 above). Concurrently, the proposed training is intended to enhance efforts to address instant and, or emerging threat-related consequences and events.

Conclusion

An intellectual development of intelligent decision support systems, using data and social mining, has emerged as a portal to enhance the interoperability, collaboration and integrity of national, regional, local and global security practices. A comprehensive scholarly concept as well as hands- intelligence training is required to fulfill the needs of the global intelligence community.

NOTE: A detailed description of Figure 1: Intelligence Decision Support Systems Framework can be provided upon request.
References


A Teaching Approach for Business Ethics

Virginia Anne Taylor Ph.D., William Paterson University

A lack of consensus about how corporations create value and what constitutes rightness is addressed by an examination of the underlying reasons for differences in the perceived societal harm or benefits accruing from corporate activity. In reality corporate activity is the results of the decisions made its managers. Using a holistic approach to ethical business behavior this paradigm presents a systematic view of the phenomenon. A model is developed to help students appreciate the scope of the issues present in a discussion of international business ethics. Why should we consider pluralistic societies when deciding what is right? Increasingly businesses are operating across national boundaries, often in cultures where different moral, business and political standards prevail. One of our tasks as teachers is to ask real questions, another is to help our students ask difficult questions and learn ways to answer them. Still another of our responsibilities as professors is to reflect on the qualities that make for a good society and encourage its development. When we do so we further civilization, a most noble calling. In general this paper investigates the definition and determination of ethical behavior and discusses why business management students should learn to bear in mind other ideologies as evidenced in laws, economic systems, professional codes, and ethnic cultures. In particular, it examines the ways that both the national philosophy of governance and the prevailing economic systems influence the social environment within which ethical decision-making occurs and is judged. Political ideologies are interwoven with historical examples from different time periods and cultures.

Corporate management tasks involve sifting and sorting multiple concepts to understand the complex context for the corporate decision. Rather than being citizens of one country, business leaders of international firms are being asked to learn how to be good citizens of the world. AACSB requirements mandate incorporation these perspectives into the curriculum. The primary purpose of this paper is to share a pedagogical strategy for helping students identify and adopt a moral framework with which to make ethical decisions as an American manager operating in a global business environment. If the ethical climate of business is a mirror image of the ethical climate of a society, future managers will also require an understanding of various national cultures. National economic development and business cycles influence the culture and politics around the world. Although some feel business has only an obligation to act legally, in this paper an important distinction between law and business ethics is made. Ethics is a study of what behavior is right or good. Although what is legal may not be ethical, laws are strongly affected by ethical concepts. Laws formalize the customs and practices that regulate individual and group behavior. The moral compass has two characteristics: the individual's personal integrity and the social justice environment. When the opposing forces of individual self-interest and collective welfare cause social tension, decision-makers need the capacity to think through an ethical dilemma and to judge the salient ethical characteristics of action decisions.
Approaches to Teaching Comparative Corporate Governance

Natalia D. McKinstry1

Abstract

The paper focuses on emergence and challenges of teaching new customized courses in legal studies at the business programs at the University of Phoenix. The paper reflects on experiences and techniques in teaching comparative corporate governance for business students. The paper addresses the vitality of legal transplants in the areas of law and corporate compliance, the models of corporate governance and other key concepts in the convergence-divergence debate. The paper raises issues of changes in modern law school curriculum toward conceptualized and problem-oriented courses and customization of courses offered in the business programs. The author maintains that business students should master understanding of basic legal terms and concepts before proceeding to situational and problem-solving tasks. New curriculum calls for improvement of facilitation techniques and materials, including quizzes and multiple choice questions, hypotheticals and interactive activities. This will improve quality of education and ensure that student acquire key competences in corporate governance, including the doctrine of separation of ownership and control, agency theory, types of legal persons, models of corporate governance, shareholders’ rights, duties and liabilities of the boards and managers, insider control, codes of ethics, mechanisms and costs of governance, and those of regulatory compliance. The University of Phoenix actively includes faculty into the curriculum revisions and discussions of teaching techniques, which make faculty feel appreciated and involved. Even though customization of business courses poses many challenges for facilitators in legal studies, the systematic focus on the comparative legal systems and business processes should be consistently implemented.

1. Background

The purpose of this paper is to reflect on some unique experiences in teaching comparative aspects of law, corporate governance in particular. The undersigned received first formal education in law through a five-year graduate program at Rostov University School of Law in the former Soviet Union. Having graduated in 1987, at the onset of Gorbachev’s reforms known as perestroika, and having initially chosen a teaching career in Russia, this educator taught elective courses and seminars, including one in Constitutional Law and Regulatory Regimes in the Capitalist

1 Master of Laws (Harvard Law School, 1993), Master of Laws (research) and Doctor of the Science of Law (Washington University School of Law, 1994 and 1999); Faculty in St. Louis, Missouri, and Research Chair in Law, University of Phoenix; Attorney at Law/Member, Natalia McKinstry LLC, St. Louis, MO.
Countries. Yet, ironically, her own education at the time lacked formal training in modern corporate structures in the developed countries. ^2

By the time of admission to Harvard Law School in 1992, I worked for over two years as an in-house counsel for a commercial firm in Moscow, mostly in such industries as construction and foreign trade, and was interning at the committees and working groups at the Supreme Soviet of the U.S.S.R. (due to the fact that I was a postgraduate student at the Institute of Legislation and Comparative Law attached to Russia’s Parliament). This first-hand exposure to the realities of initial post-perestroika redistribution of resources, and reshuffling of power within new Russia’s government structures, left me starved for learning about “error-prove” ways the outside world is dealing with complex issues of private property and governance. One result of this thirst for knowledge was my enrollment in a fourteen-month course in American Law taught by prominent U.S. professors in Moscow under the auspices of Emory Law School. Upon graduation and receipt of a degree of “consultant” in various areas of American law which included Corporations and Securities Transactions, I was invited to visit the United States along with other six best graduates of the program.

During my year at Harvard, I predictably took any and all comparative law courses and seminars related to Russia, including Emergence of Business Law in Russia taught by an Austrian professor and a seminar taught by an American doctoral candidate on Law and Transformations in the Commonwealth of Independent States (the transitional name for the successor of the U.S.S.R.). While the latter was a piecemeal covering a variety of transitional law areas; the former was intended to enrich me on my quest for learning about how business structures and corporate governance processes are supposed to work in Russia. Instead, I found it rather frustrating that readings for several long weeks focused on traditions of pre-revolutionary peasant household in Russia prior to 1917. I understood it was one of the techniques for introducing American law students into the Russian culture. However, to me they appeared just an outdated slices of life, as odd and irrelevant as to the majority urban-for-generations Russians in the 1990s. Having lived in that society and culture for twenty-six years, I had no doubt that Soviet totalitarian regime and absence of the rule of law was the roots for certain behavior patterns, rather than the peculiarities of pre-1917 peasant households. In all fairness, we discussed interesting hypothetical situations, and my Austrian professor was in retrospective right blaming the “shock therapy,” widely believed to be masterminded by American advisors, for shortcomings in my country of origin. Meanwhile, I still felt hunger for filling gaps in my understanding of the balance of power between shareholders, directors, stakeholders, etc., an understanding that my American classmates grew up with and my non-Russian professors may be did not even know I need to learn.

The vitality of legal transplants was in the foreground of my doctorate dissertation at Washington University School of Law; it focused on the U.S. sunshine laws and

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^2 Working as a law clerk in a corporate law firm in St. Louis prior to taking my bar exam, I was reminded about this fact more than once by a firm partner and my mentor at the firm, half-jokingly, half-seriously. This prompted me to study hard and score maximum points on the “Corporations” portion of the bar exam.
whether and how they may be applicable for Russia. Along with my academic pursuits, I worked as a contractor for seven years facilitating training programs for Russian lawyers and executives in the U.S. run by the Center for Citizen Initiatives. Module-based brainstorming sessions which I led at the end of the training day, often produced heated debates, the essence of which was how, if ever, the Russian trainees would use the presentation material in their law practice and businesses in Russia.

2. Reflections on Comparative Law and Corporate Governance

Whether legal concepts can be successfully transplanted onto foreign soil has been debated in a variety of disciplines in the 1990s. Thereafter, globalization has invigorated the complexity of comparativism dilemma. In essence, modern societies are sometimes tempted, sometimes pressured into the seeming ease of “borrowing” legal concepts from other systems that seem to work there. The dangers arise, of course, when such transplants clash with the legal cultures, sabotaged by interest groups, or get rejected by regulatory environment in the borrowing country.

The differences between American and Russian systems of law are rooted, beyond ideological and developmental divergence, in the distinction between common law and civil (continental) law systems. Similarly, what is referred to in comparative corporate governance as the “convergence-divergence debate” derives from the division between the American and European models of ownership systems. The former is known as the “outsider system” with dispersed shareholders’ ownership, whereas the latter, the “insider system,” represents a concentrated model of corporate governance oriented towards the stakeholders, not just shareholders.³

Corporate governance theorists use the term “path dependence” to describe the inter-connection between corporate governance systems, on the one hand, and historical and cultural traditions in respective countries.⁴ This view is laden with skepticism as to the transplant’s vitality in the soil of the receiving country. By contrast, the supporters of the convergence theory⁵ maintain an approach which can be reduced to something along the following lines: “borrow if it costs you nothing and worked for others.” The lending country’s desire to “feed” its concepts, sometimes regardless of their suitability, and the borrowing government’s greed to binge on them virtually “for free” are some of the potential side effects of ignorance and/or greed in the field of legal transplants.

⁵ See, Rock, “America’s Shifting Fascination with Comparative Corporate Governance” (1996) 74 Wash U LQ 367.
Having basic foundation is crucial for both versions of corporate governance developments. One of recurring questions in my years of module-based facilitating for the Russian businessmen was concentrated on the fact that Russian society has been overregulated. Where the United States produced a combination of self-regulation, industry regulations and various legal mechanisms within the system of checks and balances, Russian businesses were still dependent on, and suffering from state policing and ineffectiveness of enforcement of amassed and frequently changing rules. One implication for the Russian interns in the U.S. was that instead of typical accountability systems in corporate world they focused on anti-bribery, basic transparency, and overcoming societal inertia or sabotage. They still had to create, and learn to live with, risk assessment, reporting mechanisms, auditing guidelines, leadership oversight, internal control standards and policies, and reporting and remedial systems. Countering bribery and advising Russia’s parliamentarians on desirable changes in laws were in the foreground. Codes of ethics and rules of professional conduct were perceived as almost unnecessary luxury in the overregulated environment. As a result of privatization, state-controlled by apparatchiki and fixed by the insiders (referred to as oligarchs), any ideas of dispersed ownership remain just that, utopian ideas. Needless to say, Russian would be hard pressed to find applicable such concepts as consensus-based accountability systems or shareholders as rule-makers, common in the United States and elsewhere.

3. Challenges of Teaching Law to Business Students

Being a faculty member at the University of Phoenix in St. Louis for five years, the undersigned had encountered specific challenges of teaching law to undergraduate and graduate students enrolled in business programs. Legal curriculum for business students, also referred to as “legal studies,” is (and has to be) different from that for law students. Besides regular issues which facilitating classes for working adults posses, such as time constrains, law often seems counter-intuitive to laymen. Thus, it is essential to convey some foundation before getting into specificity of, say, employment law or corporate compliance. These conceptual bases include such topics as understanding of the U.S. court system, the division between civil and criminal law, ADR (alternative dispute resolution) processes, contracts, torts, and other fundamentals.

Interestingly, it appears that law schools just recently recognized this importance of basic concepts and problem-solving for the first-year law students. This year, Harvard Law School changed its 1L curriculum to include, in addition to traditional first-year curriculum (including Criminal Law, Civil Law, Torts, Contracts), courses in public international law, international economic law, and comparative law; a new course in legislation and regulation; and another new course called “Problems and Theories,” enabling students to learn complex problem solving.\(^6\)

Undoubtedly, learning objectives are different for first-year law students and for business students taking their first (and sometimes the only) course in law. However, both

Contingents need to gain conceptual strength to proceed to more specific legal topics or to be able to identify and deal with legal risk in their business environment. This approach to legal issues as an “environment” and “risks” is specific for graduate courses at the UoP’s business programs. Whereas undergraduate courses (such as BUS415, Business Law, or MGT434, Employment Law) focus on specific area of law, this “environmental/risk-containment” approach is evident in graduate courses, such as LAW529, Legal and Regulatory Environment of Business, or MBA560, Enterprise Risk.

It is presumed that students should master understanding of basic legal terms and concepts before proceeding to situational and problem-solving tasks. Quizzes or true/false questions reminding previous week’s milestones and multiple choice activities can not be underestimated. These exercises are useful in helping to draw clear distinctions, for example, between guilt and liability, implied-in-fact and implied-in-law contracts, types of the agents’ authority vis-à-vis the principals and the third parties.

One serious challenge in learning law for laymen is the fact that court rulings and legal solutions frequently have little to do with common sense. Therefore, it is essential that legal studies for business students emphasize the rationales for the general direction in the ruling precedent or statutory law. Evidently, even the leading law schools are taking this approach, significantly reducing time traditionally spent dissecting case law or focusing on the technicalities which led the case to end up at one or another level of the court system in favor of problem-oriented and conceptualized approaches.

4. Reflections on Emerging Customized Course(s) in Comparative Corporate Governance

Similar approaches should be prevalent when contemplating new customized courses for business program at the University of Phoenix (UoP). This new strategy is built on the theory articulated by Chris Anderson in his 2006 book titled “The Long Tail.” The UoP is aiming at expanding and detailing its course offerings. Comparative aspects of law and corporate compliance should become one of the “emphases” within this new vision of business curriculum. This would allow offering specializations and competencies in complex, fast-paced and inter-disciplinary areas.

Recently, a number of the University of Phoenix’s business programs have been accredited by the ACBSP (the Association of Collegiate Business Schools and Programs), one of the two CHEA-recognized organizations (the Council for Higher Education Accreditation) accrediting business programs (along with the AACSB). The University of Phoenix emphasizes interactive facilitative processes and experience-bases student learning. This accreditation is one significant step in empowering law faculty to teach legal frameworks to business students.

A recent survey aimed at identifying usefulness of business law topics to graduates in their jobs demonstrates that “laws concerning partnerships and corporations were…

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reported to be either very useful or somewhat useful by 70.8 percent, while only 47.8 percent reported frequent or sometimes encounters with this law. Topics such as corporations and other business entities were reported to be useful by 35.2 percent of the respondents, following very close after such topics as contracts found traditionally useful (48.1 percent). In their work, business students would have to learn to recognize and deal with regulatory and transactional risks of business world.

The key competences which business students have to master include, but are not limited to, such central doctrines as separation of ownership and control, agency theory, types of legal persons, models of corporate governance, shareholders’ rights, duties and liabilities of the boards and managers, insider control, codes of ethics, mechanisms and costs of governance, and those of regulatory compliance. Courses in comparative corporate governance are offered by variety of American and foreign educational institutions, such as Duke University School of Law and Vanderbilt University Law School.

It is important that the UoP actively includes faculty into the curriculum revisions and discussions of teaching techniques. This is being done both on-ground, through faculty workshops and discussions of classroom assessment techniques (CAT) at faculty meetings. The University of Phoenix also encourages faculty input in newsgroups and discussion forums. The faculty is made feel a valuable force in implementing education strategies. At the same time, watching faculty exchange teaching tips such as borrowing each other’s quizzes make you question whether instruction materials are up to the current requirements. After all, if all kinds of activities have been in abundance for every week of every course, perhaps the facilitators would not need to swap each other’s tests or adapt those they used in other courses.

It was the Graduate Law Faculty Lounge where one of the faculty members recently pointed at the lack of attention to international and comparative law aspects in MBA560 (Enterprise Risk). The issue that the content of this course was too American-oriented was raised by some international online business students. Whereas current MBA560 devotes two full weeks to the discussion of the Sarbanes-Oxley Act (referred to as the SOX) and corporate compliance, international students have been inquiring about the possibility of covering these issues beyond the solely American system, within global business environment.

The emergence of customized courses for business program students at the University of Phoenix creates challenges for the administration and the faculty. Currently, readings for MBA560 (Enterprise Risk) include a textbook used for the graduate course LAW529, Legal and Regulatory Environment of Business, and another text focusing heavily on historical implications of industrial revolutions and interactions between corporate structures and the market. Catching myself arguing with the text on several occasions, I

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was wondering if my business students might feel as frustrated as I was when I had to read for several weeks about pre-revolutionary peasant households in Russia.

In most business program classes, the facilitation is combined with active student participation. Instead of (or in addition to) traditional lecture-style PowerPoint presentations, the students would be assigned to discuss pros and cons of a particular legal phenomenon. One valuable aspect of such interactions is input by both the faculty and the students who would bring up their professional experiences and real life dilemmas in the classroom. However, in highly specialized courses, neither students not facilitators may have applicable personal knowledge of related situations. For narrowly-tailored topics, it might just be difficult to identify the competent faculty and to sustain lively discussions, whether on ground or online. By the same token, if a competent faculty is found and/or trained, would not it be a breathtaking learning experience to be able to discuss in asynchronous regime, let’s say, current trends of profit-sharing agreements in Russia’s oil industry with students who have need in taking such a course?

One useful type of assignments in MBA560 is interactive simulations. Current syllabus has three such simulations: contract creation, issues encountered by a company facing potential litigation, and reduction in the workforce simulations (SIMs). For comparative corporate governance course(s), it is imperative to add at least one or two of the SIMs focusing on providing advice to foreign counterparts on legislation and enforcement of corporate compliance, promoting legal standards and ethical concepts of public reporting.

I vividly remember how my Russian trainees felt powerless to instill the basics of corporate governance under the circumstances of institutionalized corruption intervened with the state structures which enacted the same rules they bluntly violated. The same way business students might struggle with understanding the details of the Sarbanes-Oxley Act (the SOX) if they failed to master basic concepts of corporate functions and structures. To this end, teaching comparative corporate governance courses should include a balance of historical references with explanation of legal doctrines and approaches to corporate institutions and regulatory processes in reading assignments. It should also entail situational analyses and multiple choice activities designed to alleviate students’ seeming lack of preparedness to tackle enterprise risks in the comparative context. Various quizzes should focus on the role of various players in corporate environment, regulatory tools, legal implications and global strategies.

**Conclusion**

Customization of business courses at the UoP presents a challenge for facilitators in legal studies. This change is aimed at overcoming certain deficiencies and student retention problems, including the lack of systematic focus on the comparative legal systems and business processes. For this shift from “mainstream,” “vanilla” courses to occur, small changes have to be consistently implemented. The University is on the right track in that it keeps discussions of the upcoming changes democratic and transparent. This makes law faculty feel more confident in implementing objectives of legal studies at the graduate level, which emphasizes concepts over their application. Curriculum revisions
have to result in cohesive syllabi, instructor-friendly and suitable for business students. Using a multitude of balanced teaching techniques, facilitators in legal studies may achieve the objective of identifying legal risks and summarizing the rules of the game. Introducing business students to the functioning of the corporate systems and laws in other countries will expand their understanding of the outside world, both East and West. This exposure to laws and cultures across the borders provides bases for successful operating and structurally improving modern enterprise.
Student Perceptions of the Service Learning Experience: Good Works or Hard Times?

Mathew Joseph, University of South Alabama
Deborah F. Spake, University of South Alabama
Kimberly Grantham, University of Georgia
George W. Stone, North Carolina A&T State University

Abstract

Much has been written regarding the merits of service learning being integrated into higher education course content. While reviews of the service learning literature suggest that favorable outcomes extend beyond the student and include faculty, colleges/universities, and/or the community, few studies have explored possible negative student perceptions and outcomes of these experiences (c.f., Kezar and Rhoads 2001). The purpose of this exploratory study was to examine student views of service learning before and after engaging in a service learning course experience. The results provide both positive and negative outcomes from the students’ perspective, as well as non-significant results where service learning outcomes were expected. The results highlight the complex nature of assessing service learning outcomes and the importance and role of faculty members in managing these student experiences.
Teaching a Hybrid of Online and Face-to-face Courses

Timothy C. Johnston
(johnston@utm.edu)

The University of Tennessee at Martin

Abstract

This research compared the outcomes of teaching with a hybrid format to a face-to-face format, for two Business Administration (marketing) courses. The instructor taught the first half of the hybrid course from China, via the Internet, and the second half in the classroom. The results showed that a hybrid format may be a good compromise alternative between the traditional face-to-face format and the online format. In some situations, the hybrid format may be the best alternative. Students performed better (earned better grades) in the hybrid classes. Student ratings of satisfaction depended on the course subject. The author discusses some lessons learned, including benefits and drawbacks of the hybrid format for the instructor and students.
Are First Year Faculty Members at a Disadvantage When Student Evaluations of Teaching Are Included in Performance Reviews?

Willis Lewis, College of Business and Public Affairs, Lander University, 320 Stanley Avenue, Greenwood, SC 29649, wlewis@lander.edu

Kimberly Richburg, College of Business and Public Affairs, Lander University, 320 Stanley Avenue, Greenwood, SC 29649, krichburg@lander.edu

Royce Caines, College of Business and Public Affairs, Lander University, 320 Stanley Avenue, Greenwood, SC 29649, rcaines@lander.edu

ABSTRACT

The use of student evaluations of college instructors has historically been controversial even as the results have been widely used as a measurement of teaching effectiveness. In particular, several researchers have highlighted the variables that affect the student evaluations. The focus of this paper is to examine the student evaluations for first year faculty compared to veteran faculty members at a small regional university. The results show that first-year faculty members receive significantly lower scores than veteran faculty members. The conclusion is that first year faculty should be given some leeway if student evaluation results are used as a major factor in evaluating teaching.
How do you teach "fundamentals" classes to today's students... "digital natives" who often can be distracted or unmotivated to learn "boring" first principles in a discipline? Educators are constantly challenged to deliver content to students who are easily bored with traditional methods of content delivery. In many subject areas, the content is fairly proscribed, by some combination of prerequisite requirements for advanced courses, accrediting agency standards, and an employer expectation about curriculum content. This paper reviews methods and techniques used to successfully deliver (and assess) introductory financial accounting materials in a hybrid teaching environment... traditional face-to-face class meetings augmented by online delivery of supplemental information. Assessment results for the course's main learning objectives are reviewed to facilitate identifying points of future changes.
More Trouble Than it is Worth? Detecting and Prosecuting Plagiarism in Business Plans†

Robert J. Lahm, Jr.
Assistant Professor of Entrepreneurship
Jones College of Business
Middle Tennessee State University
P.O. Box 40
Murfreesboro, TN 37132
Phone: (615) 898-2785
Fax: (615) 898-5438
E-mail: rlahm@MTSU.EDU
http://MTSU.EDU/~RLAHM

Abstract

The author of this paper is presently prosecuting more plagiarism cases than any other faculty member at an institution with approximately 800 full-time faculty and 23,000 students. During the spring 2007 semester (the most recent as of this writing), twenty instances of plagiarism were detected, ranging from 15 “blatant” and extensive cases to 5 that were less severe. These cases from the most recent semester are in addition to 18 cases that have already been documented during the past two and one-half years of the author’s employment in a tenure-track appointment at the institution where he is employed. All 38 cases to date involve entrepreneurship students who were engaged in creating their own individually assigned business plans. The assignment is considered to be a major course component from the point of view of departmental faculty who administer and teach several sections of the course, which is a component of entrepreneurship major and minor programs. This paper discusses challenges for students as well as faculty who may face the issue of plagiarism in an entrepreneurship course (with implications for teaching and learning in other courses).

† This paper is a continuation of earlier research from the author: Plagiarism and business plans: A growing challenge for entrepreneurship education? Manuscript accepted for journal publication by the Academy of Entrepreneurship Education. New data and analysis have been added to that which was reported earlier, in order to discuss longitudinal findings.
Childhood Obesity: Has There Been Market Failure?

Bryce S. Sutton, Ph.D.
Assistant Professor of Economics
Dept. of Finance, Economics, & Quantitative Methods
Center for Outcomes Effectiveness Research and Education
Lister Hill Center for Health Policy
University of Alabama at Birmingham
Business Engineering Complex 308-C
1530 3rd Avenue South
Birmingham, AL 35294-4460
205-934-8880 :Office
205-975-4427 :Facsimile
bsutton@uab.edu

Abstract:

It is well known that adult obesity in America has reached epidemic proportions with approximately 67% of Americans classified as overweight and approximately 30% classified as obese. What is less well known is that in the past 25 years obesity has become a major public health problem among children with 2 to 3 fold increases in the number of children classified as overweight or at risk for overweight. The co-morbidities associated with obesity in adults are now being observed among obese children. These co-morbidities impose a heavy burden on US health care resources spread among families, businesses, and governments with an annual price tag of over $117 billion in obesity related health care expenditures. While the charge to clinicians and health care workers is clear, the economic justification for market interventions is less certain. A high prevalence of obesity or overweight alone is not sufficient proof of market failure.

Cost-effectiveness analysis and economic evaluation in general is now recognized as an important tool in medical and health care decision making. This increased emphasis on economic evaluations also reflects pressure by government and non-governmental organizations to provide evidence not only of effectiveness but also the budgetary impact of achieving any particular health outcome. Obstacles to cost-effectiveness evaluations of interventions to reduce child obesity stem from the time period between the initial onset of overweight, the manifestation of obesity related morbidity later in life, and the associated productivity losses from this morbidity and early mortality. The cost-effectiveness of child obesity interventions depend critically on the groups being targeted and the timing of these interventions. In this paper I assess possible market mechanisms that may have contributed to the current epidemic, review current empirical evidence on these mechanisms, and assess the potential for market interventions to address the problem of child obesity.
Make Room For Daddy………And Mommy:
Helicopter Parents Are Here!

Judith Hunt
College of Business Teaching Fellow
Associate Professor of Management
East Carolina University
Bate 3111 Greenville, NC 27858-4353
252-328-6590 (Work phone)
252-328-4094 (FAX)
huntju@ecu.edu (Work email)
rogerm McIntyre@earthlink.net (Home email)
MAKE ROOM FOR DADDY……..AND MOMMY:  
HELIICOPTER PARENTS ARE HERE!

Abstract

Universities have always interacted with parents of students and prospective students,  
usually on tours of the campus, during open house activities, on designated Parents  
Weekends and in unusual and emergency situations. The number of interactions has  
risen markedly in the last few years and the types of interactions have changed from  
what universities considered appropriate to the mundane such as getting the plumbing  
fixed in a dorm room for their child. Today’s parents of college students invite  
themselves along unless told otherwise. Who are these people invading our campus?  
They’re helicopter parents!
How Machs Behave: Self and Peer Ratings in a Management Class

Loretta F. Cochran
Assistant Professor of Management
lcochran@atu.edu

David W. Roach
Professor of Management
droach@atu.edu

L. Kim Troboy
Associate Professor of Management Information Systems
ltroboy@atu.edu

Arkansas Tech University
Department of Business and Economics
1811 N. Boulder Ave.
Russellville, AR 72801

Abstract

Faculty members are increasingly asked (and want) to challenge students to think critically about a variety of issues, including their own thinking/performance and the thinking/performance of others. Faculty members try to prepare students for the “real” world. At the same time, class size is increasing at many universities. Though not a substitute for instructor evaluations, self and peer evaluations do offer a mechanism for providing feedback regarding performance. Self and peer appraisals also force students to examine critically their own thinking/performance and the thinking/performance of others. In their future work lives, students will almost certainly face the issue of evaluation, either as the rater and/or as the ratee. It is in this context that the current study investigates the use of peer appraisals in the classroom. This study builds on previous research that found students could provide accurate ratings. Given accurate student ratings, we consider if student ratings can be affected by whether or not they expect to interact with and discuss their ratings with ratees. The ability of specific personality attributes, such as Machiavellianism, to moderate this relationship is also considered. Specifically addressed is the impact of the interaction between rater anonymity and power on leniency in subjective evaluation of a qualitative assignment. Preliminary results indicate that there are some differences requiring further exploration.
HOW MACHS BEHAVE: SELF AND PEER RATINGS IN A MANAGEMENT CLASS

Faculty members are increasingly asked (and want) to challenge students to think critically about a variety of issues, including their own thinking/performance and the thinking/performance of others. Faculty members, especially business programs, try to prepare students for the “real” world. At the same time, class size is increasing at many universities. Though not a substitute for evaluations by the instructor, self and peer evaluations do offer a mechanism for providing evaluative information regarding performance. Self and peer appraisals also force students to examine critically their own thinking/performance and the thinking/performance of others. In their future work lives, students will almost certainly face the issue of evaluation, either as the rater and/or as the ratee. It is in this context that the current study investigates the use of peer appraisals in the classroom.

In previous research, students seem to be able to give ratings that mirror those given by faculty (Cochran, Roach, and Mason, 2004). Hence, though an individual student’s ratings may be suspect, the average of several students’ ratings provides a reasonably accurate measure of peer performance (Cochran et al., 2004). This study builds on this finding and explores the impact of individual differences on student ratings. What impact does rater anonymity carry? If anonymity has influence, does a student’s sense of personal power have any influence on peer rating?

Literature Review

Peer Rating and Feedback

Peer rating in a classroom setting has been used for decades by faculty wanting to improve the accuracy of faculty scores (Cook, 1981) and also provide faculty with some indication of how equitable student groups are when assigning group work (Hass, Hass and Wotruba, 1998). Chen and Lou (2004), using expectancy theory, found that students favored using peer evaluation to determine peers’ grades in a group project setting.

Performance appraisals are used as the basis for significant decisions in organizations (pay, promotion, selection for training, grades, etc.). In recent years, several authors have argued that multi-source feedback, or 360º feedback, provides more complete and accurate feedback than feedback from a supervisor alone. Several studies support the idea that overall performance improves following multi-source feedback (Atwater, Roush, & Fischtal, 1995; Johnson & Ferstl, 1999; Reilly, Smither, and Vasilopoulos, 1996). In this study, we consider influences for these ratings.

The use of ratings assigned in a performance appraisal assumes that the ratings are accurate. It is possible, however, that ratings are greatly affected by factors unrelated to actual performance, including political considerations. As one manager put it,

There is really no getting around the fact that whenever I evaluate one of my people, I stop and think about the impact – the ramifications of my decisions on my relationships with the guy and his future here. I’d be stupid not to. Call it being politically minded, or using managerial discretion, or fine tuning the guy’s ratings, but in the end I’ve got to live with him, and I’m not going to rate a guy
without thinking about the fallout. There are lots of games played in the rating process and whether we (managers) admit it or not we are all guilty of playing them at our discretion (manager interviewed by Longenecker, Sims, and Gioia, 1987).

The idea that raters are able but often unwilling to provide accurate ratings is supported by research that manipulates the extent to which raters are held accountable for their ratings. Raters may be more likely to provide favorable public appraisals when they think they will be held accountable for their ratings. For example, Mero and Motowidlo (1995) report that raters made to feel accountable provided more favorably than raters who were not accountable.

Roach and Gupta (1990; 1992) examined the impact of rating purpose and anticipated future interaction in a laboratory experiment designed to heighten realism. Roach and Gupta (1990; 1992) videotaped students in pre-existing teams discussing and analyzing a case for a management class. Students who analyzed the case and completed the appraisals at mid-semester (and who expected to and did interact with teammates for the rest of the semester) provided more lenient ratings than students who analyzed the case and completed the appraisals in the last week of the semester.

In a follow-up study, Roach et al. (2004) examined students’ evaluation of their own performance and that of peers on a written quantitative assignment in which there was a clear choice for the correct answer. Contrary to Roach and Gupta (1990, 1992), there was no difference in leniency of rating between students who expected to discuss their ratings to their peers and those who did not.

It appears, from previous and current findings, that the nature and ambiguity of the performance being rated directly influences rater leniency. When the performance being evaluated has objective standards, rater leniency is not influenced by future interaction (Roach et al. 2004). In the Cochran et al. (2004) study, as well as in Roach and Gupta (1990), students were analyzing an assignment in an Organizational Behavior class. Performance ambiguity in this and the earlier study may have affected the rater’s willingness to provide accurate ratings when the ratings had consequences for the rater.

Machiavellianism

Machiavellianism is a personality trait that defines the extent to which an individual is attuned to aspects of a situation that can be manipulated to advance the individual’s self-interest. Machiavellians view those who do not see situations in terms of self-interest as weak and susceptible to pressure from others. Moreover, they see nothing “wrong” in taking advantage of opportunities afforded by the situation, even if it means using guile and deception. When the situation permits, Machiavellians can effectively engage in impression management and provide cues that encourage others to see them in ways that advance their self-interest. Moreover, there is some evidence that Machiavellians plan communications to create those impressions.

Sheppard and Socherman (1997) found that lo Machs were just as manipulative as hi Machs but that lo Machs used a different strategy. They looked at whether Machiavellian tendencies would be associated with use of a “sandbagging” strategy (appearing less capable in order to induce an opponent into reducing effort). Their
experiments involved students in introductory psychology courses responding to various sports or word game scenarios in a controlled environment. They found that lo Machs were quite likely to use sandbagging in some situations (those involving a competition with an uncertain outcome) while hi Machs were much more likely to portray themselves as more capable (dominant) even all of the experimental situations, even where that strategy might be contraindicated. These results reinforce the notion that hi Machs prefer use of favorable impression management.

Machiavellians are detached and not overly concerned with conventional morality such as the manipulation of others, reciprocity, loyalty, fairness, and the equitable distribution of rewards. In addition, they are not easily manipulated by others. By contrast, though many see the Machiavellian’s propensity to see and take advantage of opportunities as evidence of immorality, Machiavellians may be no more or less likely than others to actually engage in behaviors, such as lying and cheating, that are clearly unethical.

In the current study, some subjects expected to future interaction with the peers whom they had rated, others did not. We predict that Machiavellians will view the context where future interaction is not expected and where they can provide anonymous ratings as a context where they can effectively promote their self-interest without risking confrontation and associated consequences. When they expect future interaction, high Machs are likely to provide higher ratings to peers in an attempt to ingratiate … At the very least, the difference between self and peer ratings would likely be minimized. By contrast, when high Machs do not expect future interaction, they are likely to take advantage of the opportunities for personal gain; they rate self higher and others lower.

We also manipulated quality of work (in the two control essays). One control essay had a well designed application but poor theoretical explanation. The reverse was true of the second control essay.

While external factors such as ambiguity of assignment and type of feedback have been explored, the influence of individual factors still needs to be examined in relation to their impact of peer ratings. Personality attributes are one such individual concern that merits closer examination. Personality attributes, such as Machiavellianism, are considered significant predictors of behavior (Robbins, 2003). This leads us to the following hypotheses.

**Research Question #1**: Does presenting feedback directly moderate the value of the score that Hi and Lo Machs give their own work?

**Research Question #2**: Does quality of answer moderate the relationship between Mach status and type of feedback?

**Methodology**

**Procedures**

The subjects were 47 students enrolled in a Human Behavior in Organizations class at a small, public southern university. On the Friday before the experiment, students submitted a homework assignment. The experiment was conducted the following Wednesday. When students arrived to class on Wednesday, half of the students
(randomly selected) stayed in the regular classroom and the other half went to a nearby classroom. The class instructor informed the students that they would be grading homework assignments submitted the previous week and completing a departmental survey. In order to complete the departmental survey as well as the assignment, students would meet in one of two separate classrooms.

One of the study authors, the class instructor, stayed in the regular classroom, distributed packets that included four completed assignments (student’s own homework, copy of one other student’s homework, and copies of two homework assignments prepared by the authors of this paper), and read the instructions for the study. After some time, another of the study’s authors (also the department head) entered the room and asked students to complete a short survey to provide information for program assessment (filler task for this study).

In the other room, one of the study’s authors (also the department head) entered the room and asked students to complete the short survey to provide information for program assessment. After a few minutes, the class instructor entered the classroom, distributed packets that included four completed assignments (student’s own homework, copy of one other student’s homework, and copies of two homework assignments prepared by the authors of this paper). The experimenter then read the instructions for the study aloud.

Students spent the next 60 minutes grading four essays (the two used for this study a photocopy of one submitted by another student in the class, and the student’s own submission.)

Dependent Variable

Students reviewed a homework assignment completed for the class and graded themselves and three “peers” on six dimensions for each of two problems. A five-point scale ranging from strongly disagree to strongly agree was used. The dimensions were:

1. This essay clearly identifies and discusses the key contingency variable(s) used in Fiedler’s model.
2. This essay clearly identifies the key leader styles used in Fiedler’s model.
3. This essay clearly discusses the extent to which Fiedler thought that a leader could adapt his or her style to match the situation.
4. This essay does a great job of applying Fielder’s contingency theory to Scenario 1.
5. This essay does a great job of applying Fielder’s contingency theory to Scenario 2.
6. This essay does a great job of applying Fielder’s contingency theory to Scenario 3.
7. This essay clearly identifies and discusses the key contingency variable(s) used in the Hersey-Blanchard model.
8. This essay clearly identifies the key leader behaviors used in the Hersey-Blanchard model.
9. This essay clearly identifies the extent to which Hersey-Blanchard thought that a leader could adapt his or her style to match the situation.
10. This essay does a great job of applying Hersey-Blanchard’s situational theory to Scenario 1.
11. This essay does a great job of applying Hersey-Blanchard’s situational theory to Scenario 2.
12. This essay does a great job of applying Hersey-Blanchard’s situational theory to Scenario 3.
Independent Variable

A dichotomous value was assigned for group membership. One group was given written instructions that indicated that feedback would be given in person to the peers that they were about to rate. The other groups had instructions that gave no indication about how their evaluations of their peers would be given.

Moderators

Machiavellianism was measured using Christie and Geis’ (1970) abbreviated scale. A copy of the instrument appears in Appendix A. A composite Mach score was calculated with a score greater than 25 noted as a high Mach individual. Individuals with a score 25 and lower was noted as low Mach.

Results

Research Question #1: Does presenting feedback directly moderate the value of the score that Hi and Lo Machs give their own work? Hi Machs rated themselves higher when they did not have to meet with their peer and explain the scoring. Lo Machs rated themselves and peers higher when they did meet with others. As noted in the ANOVA table below, the interaction was significant (F=7.029, P≤.012).

<table>
<thead>
<tr>
<th>Mean Self Score</th>
<th>Meets w/ peers</th>
<th>Does not meet w/ peers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mach Level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lo Mach</td>
<td>55</td>
<td>49</td>
</tr>
<tr>
<td>Hi Mach</td>
<td>49</td>
<td>53</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Source</th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrected Model</td>
<td>*275.206</td>
<td>3</td>
<td>91.735</td>
<td>2.729</td>
<td>.057</td>
</tr>
<tr>
<td>Intercept</td>
<td>107630.987</td>
<td>1</td>
<td>107630.987</td>
<td>3201.349</td>
<td>.000</td>
</tr>
<tr>
<td>Mach Type</td>
<td>12.074</td>
<td>1</td>
<td>12.074</td>
<td>.359</td>
<td>.553</td>
</tr>
<tr>
<td>Group</td>
<td>8.749</td>
<td>1</td>
<td>8.794</td>
<td>.262</td>
<td>.612</td>
</tr>
<tr>
<td>MachXGroup</td>
<td>236.328</td>
<td>1</td>
<td>236.328</td>
<td>7.029</td>
<td>.012</td>
</tr>
<tr>
<td>Error</td>
<td>1277.580</td>
<td>38</td>
<td>33.621</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>111101.000</td>
<td>42</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrected Total</td>
<td>1552.786</td>
<td>41</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*R Squared = 0.177 (Adjusted R Squared = 0.112)

Research Question #2: Does quality of answer moderate the relationship between Mach status and type of feedback? There were two control essays. Control #1 explained the theoretical concept well, but had a poor application. Control #2 gave a poor explanation of the theoretical concept, but had an excellent application. Findings indicated that Hi Mach’s scored Control #1 essay higher - in both conditions (scoring believing that they would give peer feedback in person and scoring with the understanding that feedback would be given in writing). With Control #2, Lo Mach students rated the essay higher – in both conditions as well. In general, Hi Machs focused on the explanation; Lo Machs focused on the application. This could suggest that Hi
Machs assigned a greater value to the explanation of the theory and thereby making that worth more points.

<table>
<thead>
<tr>
<th>Control Essay #1 Mean Score</th>
<th>Meets w/ peers</th>
<th>Does not meet w/ peers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mach Level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lo Mach</td>
<td>45</td>
<td>42</td>
</tr>
<tr>
<td>Hi Mach</td>
<td>50</td>
<td>48</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Control Essay #2 Mean Score</th>
<th>Meets w/ peers</th>
<th>Does not meet w/ peers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mach Level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lo Mach</td>
<td>53</td>
<td>48</td>
</tr>
<tr>
<td>Hi Mach</td>
<td>49</td>
<td>46</td>
</tr>
</tbody>
</table>

**Experimental Question:** Does feedback method moderate the difference between scores given to peers by Hi and Lo Mach students? Hi Mach students rated their peers the same whether or not they were giving the peer feedback in person. This is the same group that gave themselves higher ratings when no one was watching. Lo Machs gave higher ratings to peers when they were going to give feedback in person. This is the same group that also rated themselves higher when they were to meet with peers. So Lo Machs were fair in both cases but lenient to all (self and peer) when feedback was to be given in person.

<table>
<thead>
<tr>
<th>Mean Peer Score</th>
<th>Meets w/ peers</th>
<th>Does not meet w/ peers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mach Level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lo Mach</td>
<td>50</td>
<td>46</td>
</tr>
<tr>
<td>Hi Mach</td>
<td>49</td>
<td>49</td>
</tr>
</tbody>
</table>

**Conclusion**

Machiavellianism appears to play a significant role in moderating self and peer ratings. Hi Mach scoring individuals will give themselves higher ratings when there is not external accountability. Hi Machs were not influenced by the requirement of direct feedback.

Lo Machs tend to be more susceptible to leniency – especially when required to give feedback directly to their peers. This applies both to their own and their peer ratings. Lo Machs gave higher ratings to essays with strong application responses as opposed to theoretical content.

One consideration that this study lacks is how the “quality” of the performance affects peer ratings. Saavedra and Kwun (1993) noted that the performance level of the rater influenced rater accuracy. In contrast, Barclay and Harland (1995) found that rater competence only influenced perceived fairness not rater accuracy. The ability of students to provide accurate ratings as defined by the course instructor has support (Roach and Gupta, 1992), but the question of an underlying moderator such as student academic ability remains.

**References**


Appendix

Machiavellianism


HOW POWER-ORIENTED AM I?

For each statement, select the response that most closely resembles your attitude. Use the following ratings scale for your responses:

1=Disagree a lot
2=Disagree a little
3=Neutral
4=Agree a little
5=Agree a lot

- The best way to handle people is to tell them what they want to hear.
- When you ask someone to do something for you, it is best to give the real reason for wanting it rather than giving reasons that might carry more weight.
- Anyone who completely trusts anyone else is asking for trouble.
- It is hard to get ahead without cutting corners here and there.
- It is safest to assume that all people have a vicious streak, and it will come out when they are given a chance.
- One should take action only when it is morally right.
- Most people are basically good and kind.
- There is no excuse for lying to someone else.
- Most people more easily forget the death of their father than the loss of their property.
- Generally speaking, people won't work hard unless they're forced to do so.

This instrument was designed to compute your Machiavellianism (Mach) score. Machiavelli wrote in the 16th century on how to gain and manipulate power. An individual with a high-Mach score is pragmatic, maintains emotional distance, and believes that ends can justify means. The National Opinion Research Center, which used this instrument in a random sample of American adults, found that the national average was 25.

High-Machs are more likely to manipulate more, win more, are persuaded less, and persuade others more than do low-Machs. High-Machs are also more likely to shade the truth or act unethically in ambiguous situations where the outcome is important to them.
Two Determinants of Students’ Demand for IS Audit at US Universities

Joseph S. Mollick
Texas A & M University-Corpus Christi
jmollick@cob.tamucc.edu

ABSTRACT
What factors affect students demand that universities implement information systems (IS) audit at universities? Using concepts and constructs from theoretical literature on individuals’ concern about organizational information management practices, we build a theoretical model that can explain and predict students’ demand for information systems audit at universities. Using data from US university students, we empirically test two hypotheses using a multiple regression model. It was found that students’ concern about organizational ethics of information management and their concern about error in data positively affect students’ demand for IS audit at US universities.

Key Words
Ethics, Information Management, Error, Information Systems Audit, Universities, Students.
Do Concerns about Error and Profiling Correlate with Students’ Demand for Formal Information Management Procedures at Universities?

Joseph S. Mollick
Texas A & M University-Corpus Christi
jmollick@cob.tamucc.edu

ABSTRACT
What do customers want information-intensive organizations to do in response to customers’ growing concerns about error in data and data aggregation or profiling practices of organizations? Using data collected from a survey of 187 students at a large U.S. university, we find that concern about error in data (X1) and concern about use of data for personal profiling (X2) are positively related with students’ demand that universities implement formal procedures for managing information about students stored in databases (Y). Implications of the results are discussed in light of ethics, strategy, design, control and administration of personal information management systems in organizations.

KEYWORDS
Privacy, Procedures and Standards, Error, Profiling, University, Students.
I Individual Characteristics and IT Project Escalation
Melinda Korzaan, Ph.D.
(mkorzaan@mtsu.edu)
and
Steven A. Morris, Ph.D.
(smorris@mtsu.edu)

Middle Tennessee State University
May, 2007

II Information Technology Project Escalation (Keil et al. 2000)
• Leads to IT Project Failure
• Also referred to as Runaway IT Projects
• Occurs in 30% to 40% of all IT Projects
• They are “troubled” or “challenged”
• “Like a runaway train, these are projects that are hurtling out of control; difficult to stop, yet in need of redirection or termination” (p. 632).

III Information Technology Project Escalation
• Often, software development projects still prove to be both a costly and risky endeavor. Poor software project execution continues to result, in the best cases, in missed deadlines, and, in the worst cases, in escalations in commitment of additional resources as a cure-all for runaway projects. (Andres and Zmud 2001-2, p.42)

IV Framework for IT Project Escalation Research
• Determinants of IT Project Escalation (Keil et al., 2000)
  — Project Factors
  — Organizational Factors
  — Social Factors
  — Psychological Factors
• Psychological Factors
  — Characteristics of Individuals Directly Involved in the IT Project

V Research Question
• What individual characteristics influence IT Project Escalation?
VI Dependent Variable
- Intention to Continue (Keil et al. 1995; Keil et al. 1994-95).
  - Willingness to continue the IT project
  - Behavioral Intention

VII Independent Variables - Overview
- Implementation Mindset
- Locus of Control
- Preference for Consistency
- Time Urgency
- Need for Achievement

VIII Implementation Mindset
- Theory (Gollwitzer and Kinney, 1989)
  - Deliberative Mindset (pre-decisional)
  - Implementation Mindset (post-decisional)
- Obligation to complete a decided upon goal
- More susceptible to self-serving biases
- Selectively expose selves to information supporting previously decided upon goal or course of action
- Persisting to accomplish a goal

- Hypothesis
  - H1: Implementation Mindset will have a positive influence on Intention to Continue.

IX Locus of Control (Internal)
- Theory (Rotter, 1990)
  - General personality trait
  - Connections between personal actions and realized outcomes
  - Perceptions of being in control of events and situations

- Hypothesis
  - H2: Locus of Control will have a positive influence on Intention to Continue.

X Preference for Consistency
- Theory (Zajonc, 1960)
  - A stable individual disposition of sensitivity towards consistency
  - Congruence in beliefs, attitudes, commitments, and behaviors
–Sense of obligation to maintain commitment to the project

• Hypotheses
  – H3: Preference for Consistency will have a positive influence on Intention to Continue.

XI Time Urgency
• Theory (Brockner, 1992)
  – One of the multi-faceted components of the Type-A Personality
  – Being in a hurry or rushed
  – In too much of a hurry to critically analyze or evaluate information about a project

• Hypothesis
  – H4: Time Urgency will have a positive influence on Intention to Continue.

XII Need for Achievement
• Theory (McClelland et al., 1953; Elliot, 1999)
  – “energization and direction of competence-based affect, cognition, and behavior”
    (Elliot, p. 169)
  – Motivation theory based in individual needs
  – Propels individuals to succeed and attain goals

• Hypotheses
  – H5: Need for Achievement will have a positive influence on Implementation Mindset.
  – H6: Need for Achievement will have a positive influence on Locus of Control.
  – H7: Need for Achievement will have a positive influence on Preference for Consistency.
  – H8: Need for Achievement will have a positive influence on Time Urgency.
XIII Method and Results

• On-line Survey
  – Adapted existing measures
  – Surveyed individuals involved in IT projects
  – N = 232

• Validity and Reliability
  – Reliability, Convergent and Discriminant validity (Fornell and Larker, 1981; Kline, 1998)

• Hypothesis testing
  – H1, H2, H5, H6, H7 and H8 were supported
  – H4 and H5 were not supported

XIV Results - Final Model

\[
\begin{align*}
\text{Implementation Mindset} & \quad \beta = 0.47^{***} \\
\text{Locus of Control} & \quad \beta = 0.16^{**} \\
\text{Preference for Consistency} & \quad \beta = 0.03 \\
\text{Time Urgency} & \quad \beta = 0.07 \\
\end{align*}
\]

\[
\begin{align*}
R^2 = 0.29 \\
R^2 = 0.24 \\
R^2 = 0.14 \\
R^2 = 0.06 \\
R^2 = 0.05 \\
\end{align*}
\]

\[
\begin{align*}
\text{Need for Achievement} & \quad \beta = 0.38^{***} \\
\end{align*}
\]

\[
\begin{align*}
\text{Intention to Continue} & \quad \beta = 0.24^{***} \\
\end{align*}
\]

\[
\begin{align*}
\beta = 0.49^{***} \\
\beta = 0.24^{***} \\
\beta = 0.21^{***} \\
\end{align*}
\]

\[
\begin{align*}
\text{**p < .05; ** p < .01; *** p < .001}
\end{align*}
\]
XV Contributions

• Theory
  – Addresses a gap in IT Escalation theory by investigating the influence of individual characteristics on IT Project Escalation
  – Extends theoretical explanation of IT Project Escalation
  – Clarifies the role of Needs theories in explaining human motivation in the domain of IT projects

• Practice
  – Extends predictability of Intentions to Continue a troubled project
  – Aids in understanding individual roles in influencing project escalation, especially regarding those in authority to make continuance/cancellation decisions

XVI References


References

Fueling Creativity in a Business Classroom
Ellen L. West, Ph.D.
School of Business Administration, Portland State University
P.O. Box 751; Portland, OR 97207 USA
503-725-3706 (office); 503-725-5850 (Fax); ellenw@sba.pdx.edu

Abstract

This article describes the management elective class entitled “The Power of Soul and Spirit in Business,” which investigates ways to create a healthy environment in business through the development of community, creativity, and partnering. The class emphasizes collaborative leadership strategies in order to encourage employees to “bring their whole selves to work.” The author highlights the role that active learning plays in this class and in developing creativity in the workplace.
A Study of College Student Business Media Habits and Perceptions of the
*Wall Street Journal*: Part 2

Christopher M. Brockman, Ph.D., CPA
Assistant Professor of Finance

Beverly K. Brockman, Ph.D.
Assistant Professor of Marketing

Bento Lobo, Ph.D.
Associate Professor of Finance

Debbie Archambeault, Ph.D.
Assistant Professor of Accounting

The University of Tennessee at Chattanooga
College of Business Administration
615 McCallie Avenue
Chattanooga, TN 37403
A Study of College Student Business Media Habits and Perceptions of the *Wall Street Journal*: Part 2

**ABSTRACT**

This study is an extension of previous research in which upper level (juniors and seniors) principles of finance students and upper level advanced finance students are surveyed concerning their business media habits and their perceptions of the Wall Street Journal (Lobo, Brockman, and Brockman 2006). The results of that earlier work show significant differences in the media habits of these beginning and advanced finance students and indicate that both finance coursework and a separate WSJ project influence student perceptions of the WSJ.

In this current study, beginning and advanced business students (consisting of finance, accounting, marketing, management, and entrepreneurship majors) are surveyed concerning similar issues pertaining to their business media habits and perceptions of the Wall Street Journal. Furthermore, issues such as the students’ age, gender, major, and GPA are examined for potential influential factors.

Beginning business students are represented by students in Business Management 100 (BMGT 100), Computers in Business. This class is designed for business majors and is offered to students at any rank (freshman, sophomore, junior, senior), but students are encouraged to take this class during the first semester of their freshman years. Thus, BMGT 100 is generally the first “business” class that a business major would take.

Advanced business students are represented by students in Business Management 441 (BMGT 441), Senior Seminar. This course is required for all business majors and can only be taken during the students’ senior year. Thus, this class is generally one of the last classes a student will take in the College of Business.

The hypotheses in this study are summarized as follows:

**H1**: Beginning and advanced business students show no differences in their perceptions of the WSJ  
**H1a**: Beginning and advanced business students consider the WSJ equally easy to understand  
**H1b**: Beginning and advanced business students consider the WSJ to be equally intimidating  
**H1c**: Beginning and advanced business students consider the WSJ to be equally important  
**H1d**: Beginning and advanced business students consider the WSJ to be equally useful

**H2**: There is no difference in the business media habits of beginning and advanced business students  
**H2a**: There is no difference in the business media reading habits of beginning and advanced business students
**H2b**: There is no difference in the business media viewing habits of beginning and advanced business students

**H3**: Academic specialization (major) has no impact on student perceptions of the WSJ

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**PRELIMINARY RESULTS**

**Student Business Media Habits**

The survey results in Table 1 indicate that there are differences in the business media habits of beginning (BMGT 100) and advanced (BMGT 441) business students. On a weekly basis, beginning business students listen to fewer business programs on the radio, read the business section of the local newspaper less often, read the WSJ less often, read other business periodicals less often, and go to the Internet for business news and information less often than advanced business students.

**General Perceptions of the WSJ**

Results from the survey shown in Table 1 indicate that advanced business students (BMGT 441) have very different perceptions of the WSJ than the beginning business students (BMGT 100). The BMGT 441 students find the WSJ easier to understand as their mean response to the survey item pertaining to their understanding of the topics in the WSJ is 4.4 compared to 3.9 for the BMGT 100 students. The advanced students also feel that the WSJ is a more useful tool in making business decisions than do the beginning students. This result can be seen in the means of 5.1 for the BMGT 441 students and of 4.8 for the BMGT 100 students. With regard to how important it is for a college student to read the WSJ, BMGT 441 students feel that it is more important (mean of 4.8) than do BMGT 100 students (mean of 4.3). BMGT 441 students also feel that it is important for college students to keep up with current events and with personal finance matters to a greater extent than beginning BMGT 100 students do. All of these findings are consistent with what one would expect from the effects of continued business coursework on students’ understanding and overall perceptions of the WSJ.

Table 1 also reveals that the BMGT 100 students find the WSJ to be slightly less intimidating to read on a regular basis as their mean response to this survey item is 3.8 compared to 3.7 for the BMGT 441 students. Beginning business students also feel more strongly than the advanced student that a class project involving the WSJ would greatly help their understanding of business concepts. These last two results could be explained by the idea that perhaps the beginning business students have not been required to read the WSJ to the extent that advanced students have or been required to understand and utilize the more technical aspects and articles in the WSJ.
Perceptions of the WSJ

When examining the survey results across the individual business majors for the students’ perception of the WSJ, the results are what one would expect. In general, the finance majors at all levels have a better perception of the WSJ and in the importance of reading the WSJ. Finance majors are then followed by Accounting majors, Finance/Accounting double majors, Entrepreneurship majors, Marketing majors, other majors, and lastly Management majors.

Student Business Media Habits across Majors

When examining the survey results across the individual business majors for the students’ business media habits, the results here are also what one would expect. In general, the finance majors at all levels access the various business media more times per week than other majors. They are followed by Entrepreneurship, Accounting, and then Finance/Accounting double majors.
Abstract

This research explores two related but critical gaps in the strategic management literature. The first gap involves the setting of reference points. While the concept of reference points is ubiquitous in their use, there is little theory or research that attempts to explain how or why a particular reference point is chosen. This is a critical oversight, and it has important implications for strategic leadership and strategic decision making.

The second gap addresses a very fundamental problem: where do strategies come from? This would seem to be a very basic question to the study of organizations large or small. However, it is a question that has received very little attention. The gap in the literature is a reflection of the difficult nature of strategy itself. Strategy is, on the one hand, a reflection of managers’ ideas and theories about the world and their company’s place in it. It is a creative result of analysis and testing and learning. On the other hand, though, strategy also comes to managers at least partly realized in the businesses and activities of the company, its history and structure and organizational habits. It is a question of reference point selection, some of which may be dynamic and reflective, and some of which may be received and accepted.

This study tracks the emergence of strategies and reference points in a group of 98 senior undergraduate business students participating in a business strategy simulation. Participants completed an initial survey on decision making styles and preferences. Then, following each of ten decision making rounds, participants were again surveyed on their development of competitive reference points.

Results suggest various dimensions of reference points, as well as ways in which reference points develop to either support or undermine strategic decision making in groups. The results lead to suggestions for further research, and have implications for managerial practice.
Locke, Business Ethics Textbooks, and Virtue

Tyler McGowan
Syracuse University
Academic Business World Annual Conference
Nashville, TN
May 2007
Introduction

The recent Kelo decision caused an uproar. The ‘takings clause’ of the Fifth Amendment seemed to be turned upside down and John Locke is spinning in his grave. It is not that Locke thought people should have whatever property they can acquire. Locke’s problem with Kelo is that the property ceded to the state was so small. However, many people, for instance, people who write business ethics textbooks, think Locke’s problem with Kelo is that the right to property has been violated since the right is nearly unconditional.

I will show that modern business ethics textbooks often misrepresent Locke's ideas on property. First, I show Locke's view of property, relying on his *Second Treatise of Government*. Then, I show that Locke distinguishes property from monetary wealth. Locke clearly limits the former. Third, I present passages from business ethics textbooks. The textbooks often imply or state outright that Locke allowed for unbridled acquisition of property. I suggest that many business ethics students may get the wrong idea about greed, property, and Locke.

Locke’s view of property

The immediate connotation of the word ‘property’ is land. In fact, John Locke begins his chapter “Of Property” with this obvious definition. Locke says that all the earth and its contents belong to all men. Land can only be considered an individual’s own once “he has mixed his labor with [it]” (Locke, paragraph 27). Under the same clause Locke states, “Whatsoever then he[man] removes out of the state that nature has provided” (Locke, 27) also constitutes property. This idea expands the definition of
property to material items of man's labor. Now, not only land can be property but also the creations of man's labor. Locke defends this definition of property by saying labor is inarguably a person’s own, and mixing labor with nature is mixing something of the self with it. The result is tangible property. However, Locke’s notion of property is a bit different than his view of money.

Locke states that “from the consent of men,” money may be used as a means of exchange (Locke, 47, 50). Money is the third and final sort of property; but the initial and primary understanding of property is of a tangible asset. From here forward, the word “property” is to mean just as Locke intends—land and the creations made from it, not money.

**Limiting ‘Seemingly Endless’ Property**

**Locke would make sure limited resources were distributed**

Locke lived in the seventeenth century. In his time and in his understanding, land and resources were seemingly endless. In addition, he was very religious and used his religious ideas in his essays. Although his work has clearly transcended time, he could never have imagined an age where resources and land are limited. In his life, Locke believed that there was land enough “to suffice double the inhabitants” (Locke, 36). His writing reflects his attitude about the earth in claiming that the earth was given to man. Statements such as, “God, who has given the earth to men in common…” (Locke, 26) have created the American belief that Locke is all for unrestricted, private property. However, Locke continues to say in the same sentence, “[God] has also given them reason to make use of it to the best advantage of life and convenience” (Locke, 26). This idea, in only the second paragraph of the chapter on property, is an early hint that Locke
intends to limit property. He does so quickly: in the third paragraph of the chapter, he clearly limits property. Men are allowed property “at least where there is enough and as good left in common for the others” (Locke, 27).

John Locke is extremely vague in explaining how property limitation is created. At one point, in part 31 of the chapter “Of Property”, Locke states that men, “keeping in the bounds of reason […] [would have] little room for quarrels … about property” (Locke, 31). In this paragraph, Locke seems to say that men will share property willingly and freely. Later in the chapter, Locke states, “it [is] a foolish thing, as well as dishonest, to hoard up more than he could make use of” (Locke, 46). Again, Locke makes the point that excessive property is unreasonable and immoral. For a person like Locke, who saw people as inherently good, property disputes and distribution thereof would be cordially arranged for the best. I am tempted to discuss CEO salaries but will only suggest that today, people do not appear willingly to give up property for others.

On the other hand, Locke does make mention of government in the chapter. Locke explains “that the increase of lands and the right employing of them is the great art of government” (Locke, 42). On one hand, Locke believes people will use property morally, i.e. people will take what they can use and not waste property. On the other hand, he sees the “art” of government to employ land with “honest industry” (Locke, 42). In a different section of the chapter, he almost blends these two claims saying, “by consent… [people came to] agree on limits between them and their neighbors, and by laws within themselves settled the properties of those of the same society” (Locke 24). Locke believed government should be “agreed” upon. The usage of the word “agree”
shows Locke’s belief that men will willingly share property, and also that the agreement involved in having a government with “laws” will be part of this honest usage of land.

Regardless of how Locke restricts property, he does restrict it. Locke understood that his idea on property might be misunderstood. As any scholar should, Locke handled this misinterpretation of his work before it became the norm (unfortunately, as we see later in this paper, it has become the norm). The beginning of paragraph 31 addresses the potential misunderstanding. “It will perhaps be objected to this that ‘if gathering the acorns, or other fruits of the earth, etc., makes a right to them, then any one may engross as much as he will.’ To which I answer: not so” (Locke, 31). Locke, as clear as day, says people cannot engross endless amounts of property; there is a limit.

Business Ethics Textbooks on ‘Life, Liberty and Property’

Most state that Locke calls for unbridled property

Business ethics textbooks seem to overlook the passages from Locke where he limits property. I examined five, mainstream, late-edition textbooks—all in the fifth and sixth editions. In all five, Locke was either not mentioned at all or quickly breezed through. In only one does the author note that Locke directly limits property.

The best, i.e., most accurate, depiction of John Locke by the mainstream textbooks that I examined was done by William H. Shaw in Business Ethics (5th Ed.). Shaw has a sizable section designated strictly to the theories of distributive justice. He presents the competing positions. Shaw quotes a section of Locke that states if a property owner has too much property whereas a portion of it rots, then his ownership is immoral. Shaw writes, “[Property rights have a] restriction that ‘enough and as good’ be left for others” (Shaw, 90). Shaw explains that Locke does, in fact, limit property rights.
However and unfortunately, in the next sentence, Shaw explains that with money, Locke says, hoarding is viable. Locke never really states that hoarding money is allowed; only that it can happen. “Of Property” is a discussion of land and the land’s creation—not of money.

Manuel G. Velasquez, in his sixth edition of *Business Ethics*, does probably the second best job in explaining limitation and Locke. He provides the excerpt from Locke that this paper has probably beaten to death—“… ‘as long as there is enough, and as good, left in common for others’” (Velasquez, 130). In this snippet from Velasquez, he at least highlights the limitation of property that Locke stated. Unfortunately, Velasquez never references this part of Locke’s block quotation. Instead, Velasquez simply makes the obvious point that Locke believes property is a right. Locke’s ideas fall under a heading entitled “Free Markets.” No mention of limitation exists anywhere near the section on Locke.

In a discussion of property in *Contemporary Issues in Business Ethics*, the authors DesJardins and McCall make quick mention of John Locke as “[an] intellectual source of our economy and political system” (DesJardin, 60). This section on property is simply a defense of private property. It explains Locke’s definition of property; mixing labor with nature creates property. Never once does the book, in its fifth edition, explain that Locke limits property. To their credit, in the property section, the two authors state that property owners may not act immorally with their property for acting in this fashion is unfair to others (DesJardins, 61). This claim is only mentioned once and the defense of private property returns to the forefront. Limitation is never mentioned in the same paragraph as
Locke. From this text, the traditional view of Locke’s defense of property is reinforced and any kind of limitation is quickly dismissed or left unmentioned.

*Ethics and the Conduct of Business*, fifth edition, by John R. Boatright has seven page listings in the Index for Locke. Boatright uses Locke’s work to justify a right to property and even discusses a possibility for restriction or limitation on property. (238)

However, his limiting property does a disservice to Locke, for Boatright says

a further objection to an unlimited right to property can be constructed using Locke’s own premises. Property rights are fundamental in Locke’s political theory because of the role they play in satisfying our basic needs and securing liberty. It can be argued, however, that instead of serving these Lockean ends, the doctrine of employment at will has the opposite effect. (238-9)

Boatright’s phrasing suggests that Locke favored an “unlimited right to property” when, in fact, Locke states unequivocally that a person may not “engross as much as he will.”

If Locke is, as many Americans are taught and the aforementioned author, DesJardin, highlights, a “source of our economy and political system,” not mentioning Locke’s limitations of property represents an incomplete description of property, distributive justice, and thus business ethics.

“The legislation has expressed social demands; it embodies a view of business that, when taken as a whole, is clearly different from the view found in John Locke or in the U.S. Constitution” (De George, 617). This quotation is taken from the sixth edition of *Business Ethics* by Richard T. De George. It pretty clearly states that Locke makes no room for “social demands”, i.e., limiting property for the common good, in his philosophy. These lines from De George’s text flat out disagree with the claims from the *Second Treatise of Government*, such as, “at least where there is enough and as good left
in common for others” (Locke, 17). De George is way wide of the mark in analyzing Locke’s ideas.

Conclusions

Virtue, Property and Locke

Business ethics books may lead students to vice

The fact that De George’s book is in its sixth edition is disheartening. The book is in its sixth edition because professors have been using it and business students have been reading it. De George’s book corrupts Locke’s ideas. Many other widely used business ethics textbooks do, too. The problem that this paper dealt with was the fact that textbooks do an insufficient job in noting that Locke limits property. None state outright that Locke limits property.

Distributive justice and property rights are a big part of business ethics, especially on this aging planet with its limited resources. It is good that all texts mention John Locke, the “source” of many founding ideas on our economy. Once texts finally decide to mention him, they absolutely must provide complete coverage of his ideas. It is not fair to Locke or students to simply pass through Locke and pick and choose what to report. It is true that Locke did see property as a God given right; it is also true that he did set limits on property. Not to present thoughts of limitation leads to billionaire CEO’s who own companies that pay children cents a day. Some workers don’t have “enough” while CEO’s “hoard” and are “dishonest.”

Americans are raised on the slogan “Life, Liberty, and Property”, whereas the “source”, John Locke, really said, “Life, Liberty, and Property (as long as everyone is
Business ethics should be a lesson on how to think ethically and morally in the workplace. As business students and professors, we have the ‘intellectual property’ allowing the teaching of virtue and fairness. By not teaching the whole truth about Locke and distributive justice, we are “hoarding.”

Business ethics professors would be wise to teach Locke completely. If professors of business ethics hope to contribute to the likely virtuous behavior of their students, the necessity of thinking about others should be incorporated in the classroom. Unbridled and unrestrained acquisition ought to be criticized. The right to property is not a liberty without license. Or: greed is not a virtue. Greed is a vice.

Locke knew that and business students should, too.

Works Cited


Momentum Change, Sector Rotation and Returns from Fidelity Sector Funds

Muhammad M. Islam
Division of Business
Concord University
Athens, WV 24712
Phone# (304) 384-5394
E-mail: islamm@concord.edu

and

James Edward Britt II
Department of Economics
West Virginia University
Morgantown, WV 26506
Phone# (304) 272-8067
E-mail: brittj@concord.edu
Abstract

Prior research in the area of momentum investing has shown that over the intermediate term time horizon (six to twelve months), stocks that outperformed in a previous time period tend to outperform in a subsequent time period. It has also been demonstrated that stock returns over the intermediate terms can largely be attributed to the returns in their respective industries. Industry momentum then creates the possibly of creating a momentum based trading strategy using industry or sector funds. A recent study has demonstrated that application of momentum strategy gives superior returns when applied to Fidelity Sector Funds. Another recent study provides evidence that momentum based investment returns can be significantly enhanced by considering change in momentum over two subsequent time periods rather than momentum over a single time period. This study applies change in momentum as a basis for selecting investments in Fidelity Sector Funds. Portfolios are formed based on the changes in quintile rank of returns over two subsequent observation periods, which are then invested over a predetermined hold period. Various observation and hold periods are considered. Using dividend adjusted data for Fidelity Sector Funds for the period 1987 to 2005, the study shows that over the intermediate term time horizon, an investor would have earned significantly higher absolute and risk adjusted returns as compared to those obtained from a simple momentum strategy of buying winners. A dummy variable regression is used to validate that funds with larger increase in relative strength significantly outperform those whose relative strength increased less or decreased.
The Police, the MBA Program, Communities of Practice, and Fraud:
A case study in the utilization of communities of practice in developing an MBA concentration in fraud examination
William J. Kresse, Saint Xavier University
Kathleen H. Watland, Saint Xavier University

Abstract

Organizations increasingly recognize that its most valuable asset lies in the expertise of its employees. Providing opportunities for employees to learn, share, and collaborate are essential for organizations to address the changing needs of their stakeholders.

Beginning in 1998, Saint Xavier University (SXU) began offering its MBA program at the Chicago Police Academy to members of the Chicago Police Department (CPD). At the core of this arrangement were the dual missions of providing a traditional graduate management academic program, while also addressing the organizational needs of the CPD, specifically, to create a forum where participants can engage in knowledge sharing. The creation of such a forum is important in most organizations, but is particularly vital in police departments, where the hierarchical, paramilitary structure can act as an impediment to knowledge sharing. The utilization of the MBA program to develop an energetic “community of practice” has been previously documented by these authors (Watland, Kresse & Hallenbeck, 2007).

Communities of practice theory suggest that as the community evolves, members will increasingly take ownership of the content, direction, and evolution of a community. With the assistance facilitators, members of a community of practice suggest and help to introduce new topics, programs, and structures that address changing organizational needs. When applied to academic programs, this cooperative pedagogical approach to program development stands in stark contrast to the traditional “top-down” method where educators, communicating almost exclusively with other educators, build new program offerings. However, consistent with the community of practice theory, as the SXU/CPD MBA program community continued to grow, community members suggested ideas for new courses to the SXU faculty. One such idea was for a course offering in forensic accounting and fraud examination.

This paper explores how the communities of practice that emerged through the original SXU/CPD MBA program led to a new academic program. SXU faculty members, working with CPD MBA program participants, created an academic program in forensic accounting fraud examination that both addressed organizational needs and maintained academic integrity. This paper will document how this program evolved from a single independent study class, to a pilot class, to a four-course program, to a successful and nationally recognized MBA concentration in Financial Fraud Examination and Management.

Additionally, survey data from Financial Fraud Examination and Management participants evidences that while impediments to knowledge sharing may continue within the greater Chicago Police Department, the forensic accounting and fraud examination program seems to be emerging into another community of practice.
Faculty Leadership: A Guide for Service to Your Colleagues and Institution
Dr. William Rayburn
Associate Professor
School of Business
Austin Peay State University

Mailing address: School of Business
P. O. Box 4416
Austin Peay State University
Clarksville, TN 37044

Email: rayburnw@apsu.edu
Telephone: 931-221-7675

Abstract:

While much is written about higher education administration, faculty leadership roles such as that of a Faculty Senate President deserve attention as well. Success in faculty leadership depends on planning, influence, and relationships - and an awareness of priorities and limitations. The following paper offers twelve observations about how to approach such a position.
Is It True that Ignorance Is Our Business?

Abstract

The paper presents pedagogical research revealing that too few students are equipped to challenge an upper-level marketing course, International Marketing, based on the pre- and post-quizzes of essential knowledge relevant to global business. The pre- and post-quizzes had a battery of 20 questions dealing with three areas: world demographic information (5), common global business acronyms (8), and global socio-economic facts (7). The pre-quiz was given at the first meeting of the spring 2007 semester while the post-quiz was conducted during the final class meeting. Results of the post-quiz given to two sections of the course, an evening class of 17 students and a day class of 24 students, reveal a significant improvement in learning outcomes. However, the instructor is appalled by many incredible answers given in the pre-quiz.

The majority of students could not correctly respond to the size of the Chinese population, the largest in the world; answers ranged from 500,000 to 100 billion. Though not everyone could answer correctly, the same students did better in their responses to the size of the U.S. population, with answers ranging from 20 million to 3 billion. In response to acronyms, many answered correctly for WTO, while a large number of students were unable to correctly identify all three member countries of NAFTA. Surprisingly a large number of students recognized the Koran as the holy book of Islam; this may be a result of extensive coverage of 9/11 terrorism. The pre-and post-quizzes of essentials of International Marketing presented challenging questions for many college juniors, not quite ready to face the global world of future managers.
Is the Uniform Certified Public Accounting Exam Uniform?

Richard B. Griffin, Ph.D., CMA
Professor of Accounting
Department of Accounting, Economics, Finance, and International Business
The University of Tennessee at Martin

B. Wynne Griffin, M.S. in Accountancy, CPA
Senior Associate
PricewaterhouseCoopers

Robert L. Putman, Ph.D., CPA
Professor of Accounting
Department of Accounting, Economics, Finance, and International Business
The University of Tennessee at Martin

ABSTRACT

This paper examines the state, district, and territorial boards of accountancy educational requirements to sit for the Uniform Certified Public Accounting (CPA) Exam. This study undertakes an examination of general education, accounting and business related courses, at both the bachelor and graduate level, required by the various accountancy boards to sit for the exam. The authors obtained the educational requirements from state, district, and territorial web sites as of May 12, 2007. The objective of this paper is to compare existing educational requirements to those presented in the 2005 “Rules 5-1 and 5-2 Exposure Draft” by National Association of State Boards of Accountancy (NASBA).
Using Concept Maps for Learning Assessment

Phyllis Flott

The majority of assessment of learning activities in college classrooms center on tests using multiple choice and essay questions. There are many shortcomings with this type of assessment. Most instructors at the university level are not trained in assessment development (Allen, 2005). These types of tests tend to focus on lower level learning or declarative knowledge (Davis et al, 2003).

Concept mapping is a graphical presentation of knowledge that illustrates concepts and their relationships. The theoretical foundations of cognitive maps and related concepts such as cognitive maps are presented. This tool has been widely used, especially in the areas of science and health. The initial step in using this approach is to assess the students' prior knowledge of the area. The key strength of the concept map is in connecting and building on existing knowledge and integrating it in a manner that allows students to understand and apply what they have learned. Students are then taught how to use the tool.

There are many possible methods of applying this tool in the classroom. Examples of concepts maps are presented. The process for developing this tool is detailed. A primary concern that arises when using assessment tools other than paper and pen tests is the issue of scoring and assessment; this issue is addressed. A discussion of the different software options for developing concepts maps is presented.
Cheating: Who, Why, and How

Phyllis Flott

The recent cheating scandal in the MBA program the Fuqua School of Business highlights the problems of academic dishonesty. Most college faculty members are concerned with cheating and wonder why cheating seems to have become acceptable by a large percentage of students.

The goal of this paper is to bring together the growing body of research that examines this issue. The first topic examined is “who cheats?” Student characteristics such as religiosity are examined for their predictive utility. Next, the why of cheating is examined. Students’ decision-making and rationale for their behavior is presented. Recent studies that look at student’s cultural backgrounds and their norms toward academic dishonesty are discussed.

The third section of this paper examines the how of cheating. Many fascinating techniques are examined as well as old standards. The final section of this paper looks at tools that instructors have put in place to reduce academic dishonesty.
Economists’ Views of Political Decision-Making

William L. Davis
The University of Tennessee at Martin

Bob Figgins
The University of Tennessee at MArtin

Abstract
Over the past several years economists have been surveyed to ascertain their views on various public policy issues related to micro and macroeconomic matters of the U.S. economy. The bulk of these surveys indicate that economists never reach a complete consensus on any issue and that professional economic opinion on many issues has changed over time. While economists’ views on many issues have changed most economists continue to believe that government plays a productive role in many aspects of the U.S. economy, including education, trade policy, income distribution and many others.

Economists’ appear to have strong preferences for government involvement in the U.S. economy despite the significant influences that different groups exert on the political process which may affect government’s efficacy in improving overall social and economic welfare. This raises the question: How do economists perceive the political decision-making process in the United States? We attempted to answer that question by surveying a group of professional economists. In this paper we present the results of a recently completed survey of randomly selected members of the American Economic Association. The survey was conducted as part of an effort to determine economists’ views of the effectiveness of political decision-making in the Unites States. Judging by the results of our survey, one should not be too confident in government’s ability to improve overall economic welfare.
ABSTRACT

Enhancing the Learning of Economic Concepts by Using Graphing Calculators

By:

S. Ali Ahmadi and Dora C. Ahmadi
Morehead State University

Over the past several years, numerous journal articles have advocated and demonstrated the use of Excel and other spreadsheets, as well as different mathematical software, as tools to solve economic problems. Other papers have demonstrated the various uses of these types of software as tools to accompany teaching of quantitative topics in college economics courses.

Graphing calculators can be used to aid in calculations and understanding of economic concepts in a college setting. There are several reasons in favor of the use of graphing calculators: students are accustomed to using graphing calculators in their mathematics classes beginning with their high school days; graphing calculators are easy to carry and convenient to use; graphing calculators are user friendly and they are a great agent to visualize symbolic representations of economic concepts both in graphical and numerical form. It has been shown that multiple representations aids concept understanding. Graphing calculators facilitate the use of graphical and numerical representations and in some cases symbolic representations. It has also been shown that the use of calculators increase active learning by engaging students. The presenters will illustrate the use of graphing calculators to solve profit-maximizing output type problems. Specifically, the graphical and numeric approach will be used. For illustration purposes two types of calculators will be used: the TI-83 and TI-92. Graphical and numerical solutions to optimization economic problems will be demonstrated. The mathematics of determining the profit-maximizing price and output will be illustrated by graphically representing the marginal revenue and marginal cost and graphically determining the quantity corresponding to the profit-maximizing rate of output. This will lead to a graphical and numerical solution of the profit-maximizing price. Typical economic problems such as calculating the profit-maximizing output can be visualized with the aid of graphing calculators and thereby enhance the learning of economic concepts.
Abstract

Enhancing online courses requires a very different approach from that of a traditional course. This paper will explore the many multimedia opportunities available in an online environment.

Distance Education is a term used to describe any educational attempt where the instructor and student are separated by a physical distance. Typically, Distance Education is a label applied to education classes that a student takes from home or any location other than the campus offering the program. Whereas traditional students come to the campus for classes, distance learners have information sent out to them in one form or another. There are several types of delivery methods used in Distance Education, such as videoconferencing, prerecorded television packages, teleconferencing, computer conferencing, satellite transmission, and mail correspondence courses.

Some distance delivery methods have been around for some time. However, one of the newest types of distance programs is offered via the Internet and is designed to be accessible to the learner "anytime, anywhere." Online education is accessible 24/7 and from any remote location as long as computer and Internet access are available. The term “Distance Education” often may be interchanged with "e-learning," "online education," and "online courses."

Offering Distance Education allows institutions to address changing student demographics, a globalizing economy, and industry requirements for new skill sets. To meet the challenges of educating students in today’s environment, institutions are improving their modes of operation. In addition to providing alternatives to traditional students, institutions are providing flexible degrees and lifelong learning programs for non-traditional students. Institutions are also providing services and a sense of community for students who work fulltime.
Distance Education Enrollment is Increasing

Nationally, online enrollment increased from 1.98 million in 2003 to 2.35 million in 2004, according to Growing by Degrees: Online Education in the United States, 2005. This study also found that the overall percent of schools identifying online education as a critical long-term strategy grew from 49 percent in 2003 to 56 percent in 2005. The online enrollment growth rate is more than ten times that projected by the National Center for Education Statistics for the general postsecondary student population. Newman (2003) recognizes that the rapid expansion of online course offerings has been due in large part to advances in technology and to organizations dedicated to supporting online instruction.

Student demand and a flexibility advantage are two major reasons for the growth of higher education distance learning programs. The majority of students enrolled in courses at postsecondary institutions are employed adults living off campus. Working adults are the fastest growing demographic group in higher education. They appreciate the flexibility offered by online learning, so that they can better balance their work, family, and educational commitments (Gallagher, 2002).

Every indication points to more and more institutions of higher learning increasing their online offerings which leads to more and more students taking online courses and participating in “e-learning.”

Distance Education Requires Changes to the Traditional Classroom

This newer teaching/learning opportunity of Distance Education is changing the traditional method of education. Online education is the first distance learning format that comes close to engaging the student in a learning experience comparable to the traditional classroom experience (Gallagher, 2002). The ability to engage students, however, is not automatic with online courses. Careful course design and a command of the technology are required (Perrault, 2004).

Glenn (2003) notes that designing an online course requires a very different approach to course development from that of a traditional course. Interactive components must be developed to introduce content, engage students, and provide assessment information. Educators electing to design and/or deliver online courses face several challenges. Strategies and techniques that worked successfully in the traditional classroom may not be appropriate for an online course. Course preparation time for online courses is considerable and the learning curve for the instructor is daunting, since both new technologies and new teaching techniques must be mastered. To foster learning, online courses should provide students with choices and incorporate multiple learning methods such as audio, graphics, video, and text.

When getting started in Distance Education, Romkema (2003) encourages educators to incorporate online learning into their traditional classes. This hybrid approach offers part of the curriculum through online learning. According to Stidham and Frieden (2002), the hybrid method is an excellent way for an educator to move gradually from traditional to online learning delivery. It also provides both educators and students an opportunity to experience online learning in a controlled, short-term setting.

Another suggestion when designing an online course is for instructors to start with a course that they have already taught perhaps even several times. However, the instructor should not expect that putting course notes on the Web will do the job. It is much more than that. An integral part of the design is engaging the students. To accomplish this, online instructors have to embrace the technology and the tools available to enhance their courses.

Online learning environments continue to evolve with changes in technology. This new environment requires many resources, technical support, a clear instructional/learning framework, and should support both novices and experts.

Missouri Southern State University Offers Distance Education

Missouri Southern State University (MSSU), located in Joplin, Missouri, is a state-supported, comprehensive university offering programs leading to the bachelor’s degree and to selective collaborative master’s degrees. Current enrollment is approximately 5,000. MSSU was one of the first post-secondary institutions in the state of
Missouri to offer online courses and to offer entire degrees online. At this time, Missouri Southern offers bachelor’s degrees in Business Administration, Criminal Justice Administration, and General Studies. Core curriculum requirements for all degrees are available through online courses. The Division of Lifelong Learning administers Distance Education at MSSU.

The enrollment in online courses at Missouri Southern State University is steadily increasing just as nation-wide numbers are on the rise. In the fall of 2002, MSSU offered 74 Internet courses. In the spring of 2006, 132 Internet courses were offered. In the fall of 2002, 508 distance-only students were enrolled at Missouri Southern; in the spring of 2006, the number rose to 827. The total number of seats in Internet classes in the fall of 2002 was 2,182; in the spring of 2006, the number accelerated to 3,801, which is approximately a 74 percent increase in less than four years. All indications show that online courses, distance-only students, and the total number of seats in Internet classes at Missouri Southern State University will continue to rise.

MSSU is fortunate to have resources and technical support to assist both beginners and experts for Distance Education. One full-time person at Missouri Southern has the title of: Blackboard Administrator, Centra Administrator, and Instructional Technologist for Internet-Based Courses. She along with other support staff provides assistance to MSSU faculty. Below are the some of the tools used at Missouri Southern to deliver and enhance Distance Education.

**Course Management Software**

To deliver online courses, course management software is highly recommended. Blackboard is a Web-based server software that provides industry-leading course management, an open architecture for customization and interoperability, and a scalable design that allows integration with student information systems and authentication protocols (Yaskin & Gilfus, 2002). Blackboard is a useful tool to enhance students’ learning experiences, and it provides a central location to supply information, distribute materials, and communicate.

Blackboard includes several features, some of which are: the ability to post Microsoft Word documents, PowerPoint presentations, PDF files, images, links to streaming media, and other files; an adaptive release feature that allows instructors to customize what content each student views and when; the ability to email from within Blackboard so instructors can communicate with all students at once or select students; a discussion board, where students can respond to questions; a live chat room; an area for group projects, where students can exchange files, use a discussion board, use a chat room, and e-mail each other; an online test manager that allows instructors to build an assessment with many different question types and then administer the assessment; automatic assessment grading and posting to an online gradebook; and the ability to accept students' assignments online and track them in an online gradebook.

More product and company information can be found on the Web at http://www.blackboard.com.

**Software to Enhance Distance Education**

In addition to making online courses available and/or enhancing the traditional classroom with course management software, other techniques, methods, software, etc. are necessary to make the learning experience comparable to the traditional classroom experience. At Missouri Southern State University, these include:

**CENTRA: E-conferencing Collaboration Software.** CENTRA is a synchronous e-conferencing tool with two way audio, whiteboard for drawing or slide presentation, and many other meeting tools.

CENTRA allows instructors to **Take Lectures to Students** from their computer. The software can also allow users to…

- enhance courses with synchronous presentations and discussions. Voice over IP allows instructors and students to freely communicate using a PC and microphone.
- deliver an audio lecture, complete with PowerPoint slides, graphics, or White Board writing.
- interact with students through question/answer or even let one of them lead the show.
• share applications to really demonstrate or troubleshoot a process. Application sharing provides live interaction with any application on the computer (or even one of the student’s computers). Participants do not need to have the shared application installed on their computer.

• have Web Safaris, show Web sites and control where students go and what they see.

• conduct surveys.

• use quizzes for content checkpoints.

• display video to see who is doing the talking. Instructors can also play video files as part of the lecture (the appropriate player must be installed on all participants’ computers).

• record all sessions for playback by those who could not attend or for refresher to those who did.


Camtasia Studio: Screen Recording Software. Camtasia is a screen recording software. Camtasia provides “show and tell.” The software can capture anything done on a computer (including mouse clicks and cursor movement) to demonstrate the where, what, and why. It allows instructors to connect with their audience by recording, editing, and sharing realistic video tutorials, software demonstrations, and presentations.

Camtasia allows full-motion capture of on-screen content, (recorded in real time) along with voice, captioning, and Web camera video, allowing instructors to produce professional-quality interactive video presentations with small file sizes to post on the Internet, burn on CD-ROM, or deliver any way instructors choose, in all the popular file formats. The interface and simple record button allow educators to focus on what they want to record, instead of having to focus on the recording device itself. As a result, instructors can rapidly record and produce training, demonstration, and tutorial videos.

In addition, Camtasia Studio’s PowerPoint add-in allows users to record everything in PowerPoint presentations, including all audio, animations, and transitions, with a single click. Instructors can then edit and share the video in all the popular file formats. As a result, anyone can watch the video file and feel as if they actually attended the presentation in real life.

More product and company information can be found on the Web at http://www.techsmith.com/camtasia.asp.

SnagIt: Image Capture Software. SnagIt lets users grab pictures to enhance meaning and comprehension of documentation. SnagIt is screen capture and editing software. It is the all-in-one tool that lets instructors add stunning effects and helpful instructions to anything seen on the PC screen. Users can then drop the captured material in documents, presentations, Web sites, or anywhere else it is needed. SnagIt allows users to grab anything from the computer screen with a single click. It provides a convenient and efficient tool to capture, edit, and share content from the computer.

With SnagIt, there’s nothing that can’t be documented, presented, or demonstrated. As a result, people can close the communication gap. Instead of typing a lengthy email, people can explain complicated concepts with an annotated screenshot. SnagIt can capture graphs, Web pages and images and annotate for reports, presentations, and emails.

SnagIt’s built-in image editor allows users to clarify points by adding textual explanations, arrows, and highlights right on top of images. There is no need to buy an additional editor.

Other product and company information can be found on the Web at http://www.techsmith.com/snagit.asp.

Impatica: PowerPoint Compression and Streaming Software. PowerPoint files can be very large and difficult to download and view, especially those with lots of animation and voice annotations. Impatica makes PowerPoint presentations easily manageable and accessible.
Impatica for PowerPoint is a software tool that allows Microsoft PowerPoint presentations to be played over the Internet at modem speeds as low as 28.8 kbps. Impatica for PowerPoint reads and interprets the PowerPoint file and produces a compressed file that preserves the various multimedia elements, such as: text, graphic, audio, video, animation, and interactivity. Once the impaticized version of the presentation has been created, it can be played from any HTML Web page or from within an email message. No special server side software is required. Impatica for PowerPoint can also be used to generate a zip file containing the impaticized presentation, HTML file, and player .jar file. This zip file can then be used to easily upload content to a course management system such as Blackboard.

Other product and company information can be found on the Web at http://www.impatica.com/imp4ppt/index.html.

Media Encoder: Voice Recording Software. Audio files are a great, simple way to provide guidance, introductions, and important information to students in a more personable way than through plain text alone. It also helps when trying to reach auditory inclined students. Microsoft Windows Media Encoder is a versatile screen capture, audio, video encoding software from Microsoft. WME captures a window or specified rectangle of the screen, with audio, and produces a compact Windows Media WMV file that can be progressively downloaded and viewed in Windows Media Player. Though it has several features, Missouri Southern creates audio files as the main purpose for this software, since it can be very easily done with Media Encoder, using only a microphone and allowing capture in real time with a compressed format for streaming.

Other product and company information can be found on the Web at http://www.microsoft.com/windows/windowsmedia/forpros/encoder/default.mspx.

SoftChalk Lesson Builder. SoftChalk Lesson Builder turns documentation into easily accessible Web pages. With LessonBuilder, instructors can create professional-looking, interactive content without knowing any HTML or programming. Users can spend time developing content, not learning how to use complex software. It is easy to insert annotated graphics (like those created using SnagIt) and add activities such as customizable flashcards, matching games and word searches, and quick-response questions that are self-correcting. With LessonBuilder, instructors can use built-in style sheets; they can choose the color palette, the style decoration, and more. Within minutes, LessonBuilder will generate a set of integrated lesson pages with built-in navigation and a professionally designed layout.

LessonBuilder automatically packages lessons for delivery via Internet, Intranet, or CD-ROM or to integrate with CMS (Course Management System) such as Blackboard and standard zip formats. Lesson packaging ensures that content can be easily shared with colleagues and that content can be easily used in a variety of e-learning delivery systems.

Other product and company information can be found on the Web at http://www.softchalk.com/lb_learn.html.

Respondus - Software to Streamline Uploading Tests. Respondus allows instructors to get test questions into course management software without the tedium of typing or cutting and pasting one question at a time into the test or pool manager. Getting test questions into Blackboard can be a time consuming and tedious task. However, Respondus provides a way to take existing test questions (from user’s own files or publisher test banks) that are in or can be extracted to a word processing document, create a text file using special formatting characteristics, and then upload them all at once into a quiz or test pool in the course site. Respondus lets users upload test questions; download test questions; create printable test documents; and extract question or survey statistics.

Other product and company information can be found on the Web at http://www.respondus.com/products/respondus.shtml.

Summary

Distance Education is a term used to describe any educational attempt where the instructor and student are separated by a physical distance. One of the newest types of distance programs is offered via the Internet and is designed to be accessible to the learner "anytime, anywhere." Offering Distance Education allows institutions to address changing student demographics, a globalizing economy, and industry requirements for new skill sets.
Nationally, online enrollment increased from 1.98 million in 2003 to 2.35 million in 2004, and every indication points to more and more institutions of higher learning increasing their online offerings which leads to more and more students taking online courses and participating in “e-learning.”

Distance Education is changing the traditional method of education. Online education is the first distance learning format that comes close to engaging the student in a learning experience comparable to the traditional classroom experience (Gallagher, 2002). Glenn (2003) notes that designing an online course requires a very different approach to course development from that of a traditional course. Interactive components must be developed to introduce content, engage students, and provide assessment information.

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Missouri Southern State University (MSSU), located in Joplin, Missouri, is a state-supported, comprehensive university, and was one of the first post-secondary institutions in the state of Missouri to offer online courses and to offer entire degrees online. In addition to making online courses available and/or enhancing the traditional classroom with course management software, other techniques, methods, software, etc. are necessary to make the learning experience comparable to the traditional classroom experience. At Missouri Southern State University, these include: CENTRA: E-conferencing Collaboration Software, Camtasia Studio: Screen Recording Software, SnagIt: Image Capture Software, Impatica: PowerPoint Compression and Streaming Software, Media Encoder: Voice Recording Software, SoftChalk Lesson Builder, and Respondus - Software to Streamline Uploading Tests.

With Distance Education numbers on the rise, it is imperative that schools, including faculty and administrators, get on board. In education, we always need to put our students and their needs first. We need to make their educational experience a valuable one. Offering Distance Education is one way to respond to the changing demographic of today’s students. When just starting to offer Distance Education, it will take time and will require adjustments for all concerned. However, just as we as educators have strived in the past to enhance the classroom setting, we now have to do the same for the online setting. We need to become familiar with all the possible enhancements to the online environment and use what we think appropriate to make sure our students receive a good education and gain a competitive edge.
References


Economists have been using computer in their research from the beginning of the computer revolution. Yet, economists and economics departments lag many other disciplines in using the computer and internet technologies in teaching economics. For example, “Teaching Economics at the Start of the 21st Century: Still Chalk-and-Talk” was the title of a recent paper in the *American Economic Review*. Along with it, enrollment in economics programs have been declining steadily for quite some time giving significant headache to economists as evidenced by flurries of large sessions on the “state of undergraduate economics education” at major economics professional conferences over the past decade. Recently, there have been renewed efforts by many to make the degree more attractive and papers such as “How to Make Economics the Sexy Social Science” are published in economic journals stirring significant debates within the profession. Questions were raised about both the degree content and the teaching methodology and pedagogy.

The undergraduate economics program at the University of Illinois at Springfield declined from one of the largest program in the College of Business to now the smallest. This happened despite economics curriculum evolutions over time. Beginning last year the economics program began to offer an on-line degree completion program funded by a Sloan grant side by side with the traditional face to face degree program. This paper first describes the on-line economics degree curriculum and its rationale. Secondly, the paper attempts to describe the challenges faced by on-line teaching of economics courses. Finally, the paper attempts to present a preliminary comparative analysis of student learning and performances in on-line economics degree courses and their face-to-face counterparts. Both traditional regression and a quantile regression models are used to conduct the analysis. Preliminary results indicate better performance by the face-to-face classes; however, the results must be interpreted with caution due to “selectivity bias” on the part of students and the difficulty of measuring the positive externality or “spill-over benefit” of on-line teaching on the face-to-face teaching.
Group Projects, Exam Structure, and Student Performance in Intro Business and Economics Statistics Course

Baker A. Siddiquee, PhD
Associate Professor
Department of Economics
College of Business and Management
University of Illinois at Springfield
Springfield, IL 62703

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ABSTRACT

All students in the college of business and in some other programs are required to take at least one course in business and economics statistics. For many students this is probably the most stressful course and the hardest to get good grade. In recent years a number of studies have been undertaken to document the nature, etiology, and the prevalence of this statistics anxiety among students. A number of ideas have been proposed to address such anxiety.

The present paper, after briefly summarizing the literature on the anxiety, develops a model to explain student performance in introductory business and economic statistics course. Traditionally, faculty uses (1) multiple choices only tests, (2) both multiple choices and problems based tests, and (3) a combination of testing instruments which may include, in addition to the two, group projects, computer based exercises, etc. to test student learning in the course. Many students complain that “I do not do well on multiple choice tests’ or “I love multiple choice tests,” which is an overwhelming choice of testing methods in intro business statistics course. Does exam structure – multiple choices versus problems versus a combination of testing instruments -- in business statistics course matter for student performance in the course? Do Group projects enhance learning and student performance? Do student characteristics have significant impact on the answer to these two questions? Our preliminary findings suggest students performance on multiple choice tests do not mimic their overall performance. We also find support for some students’ contention that “I do not do well on multiple choice tests (or on problems)” based on differences in student characteristics.
Incorporating Learning through Doing in Entrepreneurship Education–The Case of an University-Industry Alliance in Asia

Authors:

Wee-Liang Tan  
Singapore Management University  
Lee Kong Chian School of Business  
50 Stamford Road  
Level 5  
Singapore 178899

Email: wltan@smu.edu.sg  
Phone: [65] 68280157  
Fax: [65] 68280777 or [65] 68280457

and

David B. Montgomery  
Kresge Professor of Marketing – Emeritus  
Graduate School of Business  
Stanford University  
Stanford CA 94305  
&  
Dean – Emeritus  
&  
Consulting/Visiting Professor of Marketing and Management  
Lee Kong Chian School of Business  
Singapore Management University

Abstract

With the development of Asia, there is little doubt that entrepreneurship education would make its way across from the West to Asia. However, the form and manner it takes may differ because of the context and the definition of entrepreneurship adopted. With the differences within Asia and the development of entrepreneurship policies adopted by the various Asian policymakers, entrepreneurship education naturally has many variations across Asia. This paper outlines one such development in a new university in Singapore, involving the university with an industry alliance.
Incorporating Learning through Doing in Entrepreneurship Education – The Case of an University-Industry Alliance in Asia

The SMU Mission:
To create and disseminate knowledge. SMU aspires to generate leading edge research with global impact as well as to produce broad-based, creative and entrepreneurial leaders for the knowledge-based economy. SMU is committed to an interactive, participative and technologically-enabled learning experience. Towards this end, it will provide a rewarding and challenging environment for faculty, staff and students to kindle and sustain a passion for excellence.

Introduction
Entrepreneurship education has spread around the world at an ever increasing pace since the late 1960s. By 1985, there were 253 schools with entrepreneurship courses, and this number further increased to 369 in 1991 (Vesper, 1992). In recent years, the US and Europe are not the only places where entrepreneurship is recognized as playing a major role in economic development. Former communist countries and others are also focusing a great amount of effort on fostering entrepreneurship education (Brockhaus, 1991). Many universities in the Asia-Pacific have turned their attention to entrepreneurship introducing courses in the field. Singapore is one such country to join these ranks with its newest offering, a private university, taking as its theme management education with the mission to produce entrepreneurial leaders: Singapore Management University (McGrath & McMillan, 2000; Tan 2002).

The objective behind most of the entrepreneurship courses is the inculcation of entrepreneurial skills. Whyte (1966), Cunningham (1966) and Hood and Young (1993) identified decision-making, leadership, communication, management, technical, interpersonal and conceptual skills as key skills for successful entrepreneurship. McMullan and Long (1987) also examined methodologies for the purpose of improving student’s abilities to deal with ambiguity and complexity. It is generally accepted that entrepreneurial skills can be taught and learned through practice and repetition although the development of these skills is a function of a time, but is faster in certain environments (Wong, 1993). Others identify the entrepreneurial mindset as a key component of entrepreneurship education (Tan, 2002; McGrath & McMillan, 2000). They point to the inculcation of the mindset (attitudes and mental modes) as an integral element of entrepreneurship education.

This objective of entrepreneurship education would thus change in different environments or if the definition of entrepreneurship changes. In this paper, we explore a recent development in entrepreneurship education in Asia where these two reasons play a part. First, the environment for entrepreneurship education in Asia differs from that where most entrepreneurship programs have taken place – in the West. Second,
entrepreneurship is applied in a wider context than merely starting a business or opportunity recognition. There was a time when entrepreneurship education was focused on entrepreneurial startups. Of late however, there has been a realization that what enterprises, large and small, require were individuals with an entrepreneurial mindset. Innovations in products, services or processes call on the initiative of the incumbents in corporations. Whether front line or middle managers. They require the impetus of entrepreneurial leadership from top management (Schulz & Hofer, 1999). Further, the scope of entrepreneurship has been extended to other contexts apart from startups. Entrepreneurship has been applied to corporate contexts with the development of the concepts of corporate entrepreneurship also called “Intrapreneurship” (Pinchot & Pinchot, 1993) and corporate venturing, and in social contexts through social entrepreneurship and social innovations. In the light of these extensions, entrepreneurship educations should not be confined to equipping students or participants with entrepreneurship skills. There is a need to incorporate the other contexts within which entrepreneurship is called for – the managerial and corporate context. Second, there are different policy considerations in each country that impinge on university education and, hence, entrepreneurship education. Much of university education in Asia is publicly funded by the governments. Hence, there is influence from the governments. With entrepreneurship being lauded as a means for economic development, the form of entrepreneurship education could be constrained by the policy makers’ desired view of entrepreneurship and the form it takes in the economies. This paper outlines efforts at the Singapore Management University to accomplish this through the training and involvement of its students in projects involving entrepreneurial firms as part of its overall entrepreneurship development agenda. It has created a unique alliance involving a bank and some 208 local enterprises to create action learning opportunities for university undergraduates to work with entrepreneurial firms in projects. This alliance is the first of its kind in Asia that we are aware of. It is not the simple funding of a centre by a rich philanthropist or bank. It is an alliance that involves 208 local enterprises who responded to a call to make a difference by pooling resources to launch university-based initiatives that assist local businesses. It is different in that the alliance partners are taking an active role in the governance of the alliance. They are on the board of governors and also in the executive committee. They are actively seeking to ensure the initiative makes a distinct difference and contributes. This paper proceeds to review some of the developments in entrepreneurship education that have a bearing on explaining the context of this alliance. It then provides the context of entrepreneurship education at the universities in Singapore before discussing the entrepreneurship alliance between the university and industry that opens new vistas for entrepreneurship education in Singapore and from which some lessons may be drawn even though this alliance is still at its inception.

**Developments in Entrepreneurship Education**

Consistent with all educational offerings, entrepreneurship education design would be influenced by its disciplinary leanings and the objectives behind the designers. In order for a field to develop and offer content, skills or attitudes as knowledge, what it offers has to come within its defined confines or stream. Without going into the elements of requisite research, body of knowledge or transferable content/skills/attitudes, for there to be entrepreneurship education, there must be a clear idea of what entrepreneurship is. In short its definition determines its educational content.
Entrepreneurship as a new discipline carving its niche has encountered considerable obstacles, chief of which has been defining its space. Suffice to say without re-visiting the debate in detail, there has been prior to the recent gravitation towards opportunity recognition as the domain of interest following the Shane and Venkatraman piece in the Academy of Management Review in 2000, a parade of definitions documented by Kao (1995) to which Kao added his own (See Table 1 below). Since then, entrepreneurship programs either continue their previous sway to include the examination of entrepreneurial character traits, theory, skills and business planning, or paid some modicum of attention to the element of opportunity recognition. Opportunity recognition as the domain of entrepreneurship as a field was defined as the source of opportunities, the processes of discovery, and exploitation of opportunities (Shane & Venkataramana, 2003). Unfortunately, much of this definition in itself draws and legitimizes what has gone on before. The element that is new is the emphasis placed on the recognition of opportunity, what has previously been dealt with as business startup processes and skills is now subsumed under the how and what. What the entrepreneurship programs covered under motivation and character traits would be subsumed under the rubric of “why.”

Summary definitions of an entrepreneur (Kao, 1993,1995)

<table>
<thead>
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<th>Contributors</th>
<th>Period</th>
<th>Definition</th>
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<td>Richard Cantillon</td>
<td>1730</td>
<td>A self-employed person with uncertain returns.</td>
</tr>
<tr>
<td>Abbe Nicollas</td>
<td>1767</td>
<td>A leader of men, a manager of resources, an innovator of ideas including new scientific ideas, and a risk-taker.</td>
</tr>
<tr>
<td>Jean-Baptiste Say</td>
<td>1803,1810</td>
<td>A coordinator of production with managerial talent.</td>
</tr>
<tr>
<td>Joseph Schumpeter</td>
<td>1910</td>
<td>A creative innovator.</td>
</tr>
<tr>
<td>Frank Knight</td>
<td>1921</td>
<td>A manager responsible for direction and control, who bears uncertainty.</td>
</tr>
<tr>
<td>Edith Penrose</td>
<td>1959</td>
<td>A person with managerial capabilities separate from entrepreneurial capabilities, and able to identify opportunities and develop small enterprises.</td>
</tr>
<tr>
<td>D.C. McClelland</td>
<td>1961</td>
<td>A person with a high need for achievement.</td>
</tr>
<tr>
<td>Robert L. Budner</td>
<td>1962</td>
<td>A person with a high tolerance for ambiguity.</td>
</tr>
<tr>
<td>Orvis F. Collins</td>
<td>1964</td>
<td>A person with a high need for autonomy.</td>
</tr>
<tr>
<td>W. D. Litzinger</td>
<td>1965</td>
<td>Low need for support and conformity, leadership, decisiveness, determination, perseverance and integrity.</td>
</tr>
<tr>
<td>J. B. Rotter</td>
<td>1976</td>
<td>Internal locus of control.</td>
</tr>
<tr>
<td>Israel Kirzner</td>
<td>1979</td>
<td>An arbitrageur.</td>
</tr>
<tr>
<td>J. A. Timmons</td>
<td>1985</td>
<td>“A” type behaviour pattern.</td>
</tr>
<tr>
<td>Raymond W. Y. Kao</td>
<td>1993</td>
<td>Entrepreneurship is the process of doing something new (creation), and/or something different (innovation) for the purpose of creating wealth for the individual and adding value to society.</td>
</tr>
</tbody>
</table>
It is therefore not surprising in the light of these definitional issues that policy makers define entrepreneurship education in the manner that suits their policy demands. As such, entrepreneurship in Asia would, from the policy makers’ perspectives, range from self-employment to high-technology entrepreneurship. The first would be a definition adopted in countries with high unemployment and the latter scope for entrepreneurship education would apply in more advanced countries where the key to competitiveness is higher order innovation and invention.

Over and above the definitions issues poses by the academics and policy makers which would impinge on entrepreneurship education other definitions of entrepreneurship have come to the fore – extending the context within which entrepreneurship has application. New definitions are the realities of a new field. In the public sector in entrepreneurial public administration (See for example Osborne and Gaebler, 1992), in the non-profit sector as “social entrepreneurship” (see for example, Tan, Tan and Williams, 2005; Brinckerhoff, 2000), within corporations under the banner of “corporate entrepreneurship” (Schollhammer, 1981; Morris, 2003) and in political leadership and economic development, Asian statesman Lee Kuan Yew referred to “political entrepreneurship” stating that good government required political entrepreneurs like some of his lieutenants who had vision and ideas (Straits Times, 1994).

In the light of these developments, which could be considered product extensions drawing upon marketing parlance, it is no surprise that entrepreneurship education has expanded in the curriculum offerings. There are courses reflecting either creativity or innovations. Business schools have introduced courses that apply the principles in different industrial/service sectors such as artistic industry, creative industry, hospitality industry, and even medical and legal practices.

**Entrepreneurship Education in Asia**

Tina Seelig, the Executive Director of the Stanford Technology Ventures Program at the NCIIA Annual Meeting in San Diego, California on March 18, 2005 noted that in the quickly changing economic environment across Asia, some governments encourage entrepreneurship education as in Singapore; in others (e.g. China and Korea) it is limited. Where there has been significant growth in entrepreneurship education over past few years has occurred in the area of teaching venture management to MBA students.

In Singapore, the earliest efforts at entrepreneurship development were at the Nanyang Technological University (NTU) where in 1987 an entrepreneurship development centre, ENDEC, was opened. Prior to this, there was an elective at the National University of Singapore (NUS) dealing not with entrepreneurship but small business management. This establishment of this centre led to the development of an entrepreneurship elective for the undergraduates and the MBA programs by 1991. Its early days were spent assisting local enterprises. In 1990, it launched the ENDEC World Entrepreneurship Research Conference it held in the years 1990 to 1997, and 1999. Seeking to foster research that is needed for the education, it launched together, with World Scientific Publishing, the
The Journal is now independent published by World Scientific but hosted at Singapore Management University by editorship.

NTU went as far as to launch an entrepreneurship minor (a concentration) for its Bachelor of Business Program in 1996 comprising three electives: Entrepreneurship, New Business Creation and The Entrepreneurial Approach in Corporate Management. In 2000, ENDEC was dissolved and NTU focused on technology-based entrepreneurship under its new Technopreneurship Centre. The entrepreneurship minor was also discontinued. NTU also has a venture seed capital fund.

At the same time in NUS, entrepreneurship courses have been started at NUS since the formation of the NUS Entrepreneurship Centre in 1999 with student enrolment rising from less than 200 in 1999 to over 1100 in 2004. These courses have also been complemented with a number of new initiatives like StartUp@Singapore (a national business plan competition), business incubators for professors and students embarking on start-ups, regular forums that bring entrepreneurs onto campus, and a venture support fund to seed university spin-offs.

The Singapore Management University is a newcomer to the university scene as it is the youngest university in Singapore established in 2000 compared to NUS which celebrated its centenary in 2005 and NTU is fiftieth anniversary in 2005. It is Singapore’s first private university built around management education. Entrepreneurship education is at the core of SMU’s curriculum as it states as its mission.

SMU seeks to provide the relevant environment for entrepreneurship to flourish. SMU seeks to promote and provide an entrepreneurship infrastructure on campus through the Business Incubation and Development Programme, student clubs such as SMU Ventures and SMU Students in Free Enterprise (SIFE) and faculty advisors (members of the SMU Enterprise Development Growth and Expansion Programme). Students may avail themselves of the opportunities, support systems and initiatives that exist should they wish to engage in entrepreneurial activities.

Opportunities are also created for knowledge acquisition on the part of the students through the courses, seminars and workshops being offered. To this end, SMU promotes entrepreneurship research, curricula (e.g. the new Management (Entrepreneurship) concentration) and entrepreneurship-related activities. There are also opportunities for students to experiment with new ventures and ideas. Students are provided with opportunities to apply for incubator space under the SMU Incubation and Business Development Programme. They are also encouraged to participate in projects with entrepreneurs and organizations in SMU courses. Students can also form teams to participate in competitions in Singapore and abroad. Some details of SMU Entrepreneurship Development Agenda are provided in Appendix 1 to this paper.

The UOB-SMU Entrepreneurship Alliance
The value of collaborations between industry-university depends on the nature of the collaboration. There are skeptics who fear that collaborating with the intimate employees of one’s graduates and/or relying on their funding leads the university to depart from its calling to be true to academic pursuits. Be that as it may, we are fortunate in that the SMU collaboration that we describe draws upon the positive aspects of university-industry collaborations.

The collaboration was a result of discussion that SMU had with a leading local bank, the United Overseas Bank on its involvement as a stakeholder in university education in Singapore. The discussion led to the exploration of a way to involve a greater number of local enterprises in an entrepreneurial venture that will see returns to the local business community. The felt need at that point in time was assistance to be rendered to local small and medium-sized enterprises (SMEs). The dream was to craft a collaboration that allowed for funds to provide assistance to SMEs through the university – involving students and faculty. The bank’s leadership was visionary and launched a fund wherein it committed to give a S$1 for every S$2 contributed by local enterprises to the alliance up to a maximum of S$3million which would provide funds for the creation of a centre for an initial five year term.

The thrust of the Alliance is to put student and faculty teams to work on consulting projects mandated by local enterprises especially SMEs. The projects will be relevant to the enterprises, and provide them with research on the markets they operate in, as well as ideas and proposals on competitive strategies. The result of the collaboration is the establishment of the centre that was officially opened on 20 September 2005.

**The Alliance Centre**
The centre shall have three main thrusts to enable it to attain its purpose:-

- Education – to facilitate the development of courses, workshops and seminars that benefit SMU students and local enterprises,
- Consulting & Training – to develop, train and facilitate student consulting teams led by advisors drawn from SMU faculty and volunteer business mentors to address the development and growth needs of SMEs
- Research – to engage in applied research that enables the centre to better carry out its education and consulting activities.

The centre will seek to achieve a symbolic relationship between the activities under its thrusts. There is scope for the centre to engage in pertinent & relevant research that will have benefit to the local entrepreneurs and enterprises in Singapore. This research will be conducted employing on-line questionnaires on the centre's web-portal. There is also funding for the development of case studies to be developed by the student teams and faculty advisors which provides opportunities for longitudinal studies of the centre's client-enterprises. The centre will engage student teams with faculty-advisors who will be matched with the SMEs who apply for the assistance that the centre will provide.
With the creation of this centre, there will also be the development of dedicated SME executives, individuals who are not academic faculty but with practical experience able to help SMEs directly and manage the operations of the centre. Curriculum-wise, the centre coordinates a specific course that ties in with the university’s Entrepreneurship track in the Management concentration offered by the Lee Kong Chian School of Business. Table 1 details the courses in the Management Concentration. The course is designed to equipped students with the key skills needed for their project assignments with the centre and also covers aspects of enterprise management; it is called SME Consulting.

**Management Concentration [2 Core course plus 3 electives]**

<table>
<thead>
<tr>
<th>Core courses: Entrepreneurship and Business Creation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Entrepreneurial Management</strong></td>
</tr>
<tr>
<td>Entrepreneurship Track</td>
</tr>
<tr>
<td>Entrepreneurial Finance</td>
</tr>
<tr>
<td>Enterprise Development</td>
</tr>
<tr>
<td>International Business</td>
</tr>
<tr>
<td>Social Entrepreneurship</td>
</tr>
<tr>
<td>New Product Development</td>
</tr>
<tr>
<td>SME Consulting</td>
</tr>
<tr>
<td>Family Business</td>
</tr>
<tr>
<td>Seminar in Management Research</td>
</tr>
<tr>
<td>Methods</td>
</tr>
<tr>
<td>Business Study Mission</td>
</tr>
</tbody>
</table>

**Advantages of this Alliance**

The first advantage the alliance furnishes to SMU is the addition of one more element to the microcosm on campus within which the students can evolve. One way to conceive of entrepreneurship education on campus is to look upon the offerings on campus as reproducing societal evolution mechanisms (Laukkanen, 2000). As such the alliance, by bringing the students into contact with local entrepreneurs and their management challenges through the projects, opens the students to opportunities to mingle with the real life business owners, may provide the impetus and catalyst that is needed in the university’s ecological milieu for young entrepreneurial talent to bubble up to the surface. No one can tell who the real entrepreneurs will be when they graduate from our tertiary institutions and enter the market place. It will take place in the long run unbeknownst to the university unless there is a effort to track the graduates. The projects will also be an excellent way of providing SMU students with an authentic sense of the real world of business. It will allow them to develop skills that will eventually help them in the workforce or when they start firms of their own.

From the pedagogical perspective, it permits the university to go beyond the traditional classroom to incorporate more experiential learning. In this case, SMU will be able to employ action learning. Elements of action learning (i.e., real problems, fellow leaders in
the action learning team, a reflective inquiry process, commitment to action, and focusing
on learning) contribute to the building of critical leadership skills (Marquardt, 2000;
Smith & O’Neil, 2003). It also enables SMU to overcome a criticism of traditional
management education for its “disconnect” between entrepreneurial practice and theory –
that business graduates do not have the ability to deal with real life problems when
entering the world of business (Gibb, 1996).

The collaboration permits the student participants develop their skills and abilities from
their real life experience through trial, error, and reflection, often outside academic
institutions (Leitch & Harrison, 1999). It enables the development of many
entrepreneurial characteristics, such as self-confidence, persistence and high energy
levels, that cannot easily be acquired in the classroom (Miller, 1987). The collaboration
attempts to engage students in SMEs and to perform in the real environment. They may
need to provide solutions, structure effective programs, measuring their outcome and
demonstrating the results to entrepreneurs. The projects with the SMEs are real-life
managerial challenges, that these students would be expected to perform once they
graduate and when they develop their own enterprises.

**Conclusion**

Whichever side of the divide of the debate to collaborate or not collaborate with industry,
it is clear that where entrepreneurship education is concerned, there exists a real need for
greater interaction between educational environments and external organizations so that
current business thinking and entrepreneurial experience can be introduced into schools
(White, 1993). To embrace action learning is in concept easy but in reality a daunting
task for academics as there is a need to develop and improve the current curricula and
modes of delivery (Salaman & Butler, 1990). The university-industry collaboration in the
UOB-SMU Entrepreneurship Alliance Centre augurs well for the university provided care
is taken to ensure that the potential of the collaboration bears fruit.

**References:**

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Leitch, C. M., Harrison, R. T., International Journal of Entrepreneurial Behaviour &
Research. Bradford. Vol. 5, Iss. 3; pg. 83

continuously creating opportunity in an age of uncertainty”, Harvard Business School
Press.
Appendix 1

SMU ENTREPRENEURSHIP ENVIRONMENT

1. SMU Business Idea Generator Programme

The SMU Incubation and Business Development Programme was established to contribute to SMU’s mission to develop entrepreneurial leaders. It seeks to facilitate the incubation of business ventures on campus at its incubation centre and retail space.

The development of entrepreneurship and providing opportunities for entrepreneurship development at SMU is in line with the Singapore government’s policies that seek to:

- foster a spirit of innovation and enterprise in schools;
- encourage entrepreneurship talent development in institutes of higher learning;
- promote innovation and new products and services in Singapore.

The programme seeks to:

- provide a hub for entrepreneurship development activities on campus and has planned for the city campus;
- incubate ten to fifteen new ventures each year;
- develop entrepreneurship talent through the incubation and business development activities;
- provide the interface between the SMU students and industry through the workshops and seminars involving business leaders and entrepreneurs.

The Programme together with the Wee Kim Wee Centre of the Lee Kong Chian School of Business has a lunchtime entrepreneur speaker series. It pairs the student venture teams with CEO mentors.

The programme provide specific resources in the form of

- incubation space; and
- financing under the Entrepreneurial Talent Development Fund.

It has had modest success in the form of Savvy Foods who have graduated from the incubator and Lumiere a new venture established by SMU graduates. Savvy Foods was a venture that students began as a distributor of packed foods in microwaveable containers. They experimented in co-development with the manufacturers new packaging and new target markets. Upon their graduation they teamed up with a local distributor to extend their products in the convenience stores.

Lumiere began as a venture to retail quality artificial diamonds. The challenge for this team is to build a new market space and attract interest to this product which they
promote as different but still a luxury item. As at time of writing, the team is still at work on building awareness and clientele.

*The Entrepreneurial Talent Development Fund*

SMU is providing venture financing to the student and faculty ventures in conjunction with the Entrepreneurial Talent Development Fund (ETDF) provided by the Ministry of Trade and Industry. The fund is managed by Standards, Productivity and Innovation Board (SPRING Singapore).

Under the Fund, each SMU venture teams may obtain $3 funding from the ETDF, $1 from SMU's own funds if they commit $1 of their own financing. The maximum funding available from the ETDF per team is $50,000.

SMU has applied for funding that allows it to fund a total number of projects amounting to $600,000 in the first year of the scheme.

Students may work with SMU faculty but the students must be the majority shareholders.

To obtain funding, the venture must:

- have a sound business plan
- be incorporated as a private limited company
- not have already commercialized products/services
- not have already received grants or funding from other sources

2. SMU Enterprise Growth and Expansion Programme

The SMU EDGE programme was established under the Wee Kim Wee Centre of the Lee Kong Chian School of Business. It is a research interest group formed in July 2003 and is devoted to SMU research, resources and tips related to entrepreneurship, enterprise development and innovation.

The interest group comprises faculty from the different schools: Lee Kong Chian School of Business, School of Accountancy, School of Economics and Social Science and School of Information Systems. Its website was launched in early 2004¹.

The areas that are represented under SMU EDGE include:

- Entrepreneurship
- Entrepreneurial Finance
- Enterprise Development
- Corporate Governance

¹ This website can be found under the SMU website under Research Areas or at [http://www.research.smu.edu.sg/faculty/edge/](http://www.research.smu.edu.sg/faculty/edge/)
• Technology & Innovation

SMU EDGE has organized numerous workshops and seminars. The members of the programme serve as faculty advisors in various student enterprise initiatives as well as with student clubs. The programme fosters entrepreneurship research and programmes. It provides guidance to SMU students through its Business Mentor network.

3. Student Enterprises

Singapore Management University Ventures (SMU Ventures) is the entrepreneurship club that seeks to promote the culture of entrepreneurism within the university and beyond. It was formed in late 2002 and formally established in 2003.

Entrepreneurship, idea generation, and spirit of change are hallmarks of SMU Ventures’ activities. It promotes new ventures and organizes opportunities for student networking with the entrepreneurs, industry experts, investors and consultants.

4. Social Entrepreneurship

Social Entrepreneurship Forum

SMU does not only promote business entrepreneurship but entrepreneurship as a wealth creation and value-adding process. As such, the area of social entrepreneurship has been advocated.

In October 2003, a Business School Forum was organized involving two international speakers: Dr. Mechai Viravaidya and Dr. Rick Aubry. Co-organized with the then Ministry of Community Development and Sports, the public forum addressed the theme “Harnessing Enterprise and Entrepreneurship for Social Good.”

The two speakers had a vast experience to share. Mechai founded one of Thailand’s largest private, non-profit development organizations which employs money-generating activities to finance population and community development. One of the key community development activities has been promoting the use of condoms, earning him the nickname “condom king.”

SMU SIFE

To promote social entrepreneurship and student enterprise, the students at SMU formed SMU SIFE as a student club. The club seeks to educate and equip others with entrepreneurship skills so that they can employ free enterprise principles as a means to better their lot. It is affiliated to the Students in Free Enterprise (www.sife.org) in the United States of America.
SIFE’s programmes touches on some of the hallmarks of SMU’s curriculum, in areas such as market economics, entrepreneurship, business ethics and community outreach. The programme also emphasises teamwork, leadership, communication and project management skills, all of which are integral to SMU’s pedagogy. The students are encouraged to see how they can help the forgotten man in society to gain economic freedom and self-esteem. The club achieves this through projects with non-profit organizations.

5. Management (Entrepreneurship) Concentration

Growing the curriculum in tandem with faculty growth and development, the Management Department in the Lee Kong Chian School is offering a Management Concentration with two tracks – Entrepreneurship and Strategy.

Each track features two common core courses: Entrepreneurship and Business Creation and Entrepreneurial Management. In addition, students choose to read three electives from a list. The concentration is open to all university students but certain rules apply for courses that are existing core course in degree programmes.

The courses planned include the following:

Entrepreneurship and Business Creation – Core
Entrepreneurial Management – Core

<table>
<thead>
<tr>
<th>Entrepreneurship Track</th>
<th>Strategy Track</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial Finance</td>
<td>International Business</td>
</tr>
<tr>
<td>Enterprise Development</td>
<td>Strategy (Restrictions apply)</td>
</tr>
<tr>
<td>International Business</td>
<td>Leadership and Organizations</td>
</tr>
<tr>
<td>Social Entrepreneurship</td>
<td>Management of Creative Industries</td>
</tr>
<tr>
<td>New Product Development</td>
<td>Management of Innovation</td>
</tr>
<tr>
<td>Corporate Governance</td>
<td>Corporate Governance</td>
</tr>
<tr>
<td>Seminar in Management Research Methods</td>
<td>Seminar in Management Research Methods</td>
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</table>

* 2 Business Study Mission

*2 Business study mission – This is a course that is built around course work and projects on companies, industries and regions in a country or neighbouring countries. Students participate in class discussions and preliminary work on projects which they undertake together with the study trip. SMU has organized study missions to the Silicon Valley, New York, Thailand, China and India. With new missions being planned to Germany, the Mekong Delta and Israel.
Managerial Promotions and Human Resources: Preliminary Observations and Findings

Robert W. Service and Archie Lockamy III

Abstract

From discussions with aspiring young professionals and business executives, as well as comments by hundreds of MBA students, it seems apparent that there are many misconceptions and misunderstandings when someone is promoted or passed over. These disconnects occur in a large part due to differing views of why promotions take place and a lack of recognition of many of the variables involved. The views of those getting promoted, passed-over, doing the promoting, interested constituents and other related factors are just too varied to make a lot of sense to many who are interested in promotions they either witness or take part in. Analyzing thousands of these reported disconnects over the past 40 years, we have continually addressed the following issues when mentoring, consulting or dialoging with MBA students: 1) what are the factors that result in promotions? A preliminary formula for promotion will be presented to begin to address this question in a more academically testable manner; 2) what would a popular press list of the formula’s content and meaning look like? A list will be developed and presented to address the practitioners concerns; and 3) what elements would a good model of Human Resources Management (HRM) contain? An ideal HRM model will be presented to address this issue.

Many of the books aspiring young professionals currently use as guides to advancement into higher levels of management offer only a partial picture. The Three Tensions calls rightly for balancing and bridging between past and current performance. Tensions calls for one to balance mortgaging the future with not borrowing enough from the past. Likewise, a balance must be made in obsolescing capabilities and assets (Dodd and Favaro, 2007). While nothing is wrong with these assertions too many read and follow just shallow and obvious points. What Got You Here Won’t Get You There (Goldsmith and Reiter, 2007), Talent is Never Enough (Maxwell, 2007—he is hot now!) and Go Put Your Strengths to Work (Buckingham, 2007) are also current guides for advancement. They likewise are correct, but revolve around relatively superficial understandings of buzz words (with much more depth and meaning than is given them) such as passion, initiative, focus, practice, preparation, perseverance, courage, character and teamwork coupled with the current fad of being obsessed with one’s strengths versus weaknesses. These concepts are wrapped in building habits and behaviors that require aspirers to learn who they are and what they want to become and then change “appropriately.” Again, nothing is wrong with these current reads. The problem revolves around readers thinking it is that simple and forgetting the many small interactions that are critical. We plan to develop a more comprehensive picture.

This paper proceeds with the realization that the topic of promotions is sufficiently complex and important to require more than what can be developed here. However, most situations are better discussed and undecided, than decided and never discussed. Therefore, the purpose of this paper is to introduce sets of facts and suppositions that can be used as a basis for empirical testing and further research.
A Proposed Formula for Promotion: We must start somewhere
“I should have made nothing had I not made mistakes (Churchill in Best, 2003: p. XIII).”

Quoting a long term executive with State Farm Insurance Companies; “There are a lot of reasons someone is promoted, but 90% of the time no one knows them all, including the person that made the decision! In fact, the person not getting promoted will not know, about 98% of the time, why they did not get it. . . . [when ask about discrimination] . . . Yes, I suppose it happens, but I’d say only about 1 time in 50.”

Though this is just one anecdotal quote, it represents what many report hearing during years of managing and teaching. Promotions and promote-ability are topics worthy of research and discussion. However, it should be noted that the key to promotion should lie not in what you have done in the past, but in what you are capable of at the next level; but one will not get promoted with the wrong past (Service and Arnott, 2006).

Consider 360 degree evaluations. Whether they work or not, they are being done all the time: know it or not, it is you choice (Tornow, London and CCL Associates, 1998). Now consider the role of education and experience for “Education and performances are not enough: To be secure in a job requires being able to manage how you and your ideas are treated by others (Reardon, 2005).” Use 360 evaluations to ask about promotions and promotability, and you will become convinced that there is a problem with understanding perceptions of promotional decisions as they are enacted in corporate America.

The margin for error in being promoted beyond the early levels of supervision and management is very small (Bodaken and Fitz, 2006; Collins, 2001; and Drucker, all dates). Attitudes, people skills and the images people have of an individual are the focal points in most situations. The little things matter; rightly or wrongly (“At MIT, a Time of Transition,” 2007; and Barney, 1995). Think about a baseball pitcher and how the margin for pitches gets smaller as one moves from little league to high school ball to the professional ranks. Moreover, as the margins get smaller, the speed gets faster, whether in baseball or organizational leadership. And, when you make the professionals in the business world you are often going to have to pitch to the little leaguers and let them get a hit.

A Formula for Promotions

“Almost all our faults are more pardonable than the methods we think up to hide them (Maxwell, 2002: p. 28).”

For a formula to be of use to individuals who are seeking the keys to promotion, whether for personal use or instructional purposes, it must necessarily be relatively complex (Albrecht, 2003; Cheyfitz, 2003; Kouzes and Posner, 2006; Leonard and Swap, 2005; and Welch, 2001). Remember that for every complex problem there exists a simple easy to explain answer that is wrong. The “promotions as a function of formula” is not some simple list of to-dos. In order for a formula to represent any form of reality, it must be combinations and permutations of many elements, anyone of which can be the deal maker or breaker. If we attempt to simplify and exclude any factor, the results is often more misunderstanding of why each and every promotion occurs or does not occur, depending on your position in the situation: a vicious cycle of another sort. Any of us who has been involved in promoting knows of so many situations where “it was the
boxes he carried up, the way she cleared up his computer problem, that mole in the middle of his head, the way she treated the cleaning lady, the perfume she wore, the cologne he wore too much of, the habit of staring at . . .” and the comments could go on about all the picky stuff heard; yet that picky stuff continues to be the significant deciding element in many promotional decisions.

The current authors have taught in Samford University’s 40 year-old evening MBA program for a combined 21 years. Both current authors also had long and successful careers outside of academia. And, in those non-academic experiences they were often promoted, promoted many others, and were witness to scores of promotional decisions. In their teaching tenures they teach some 50 (new to them) “working” MBAs a year. During the last five years many of their MBA students have been used to develop the tentative promotions formula for instructive purposes. This past year, one author used a variation of this formula as a teaching tool with some 50 MBA students seeking additions, deletions and comments. The formula reported in this paper is a culmination of those comments, much research, direct experiences and ongoing consulting and mentoring activities.

The formula given below is given from the view of the person who wants to get promoted.

A given promotion is a function of:

1. Hygiene factors—literacy rates: a) Written and Oral communications; b) Ethical behavior; c) Quantitative applications; d) Information location and use; and e) Teamwork.
3. You - image and substance from many perspectives—fitness of use for desired purposes—Sold through appearance, communication and behavior.
4. Communications—of all sorts, up, down and all around.
5. Relationships—inside and outside an organization.
6. Past job performance—most recent most critical—add value and perform.
7. Having a replacement for yourself.
8. Being a mentor.
9. Having an influential mentor or sponsor.
10. Totality of experience – life, hobbies, volunteerism, travels, jobs, etc.
11. Education, training and development.
12. Diversity of thought, experience, ideas and appearance or like classifications
13. Political savvy.
14. Fits of all types and stripes-with the team, department, organization, location, cultures, etc.

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1 Samford’s average MBA student is in their mid-thirties and in a beginning management, supervisory or administrative position. They all have as a minimum a Bachelors degree. Ninety-five percent of the students are in the program with employee paid tuition benefits. Dr. Lockamy has taught in Samford’s MBA program for the past seven years and he has taught graduate students for over 16 years. He was in industry for over 10 years prior to going back to earn his Ph.D. Dr. Service has over 25 years of extensive management and executive experience and 15 years in teaching receiving his Ph.D. at the age of 48.
15. Personality—big five of personality OCEAN: a) openness; b) conscientiousness, c) extroversion, c) agreeableness, d) neuroticism.

17. Luck.
18. Personal desire and work ethic.
19. Worth elsewhere (especially to a competitor).
20. What might happen if you are passed over.
22. Totality of choices between differing candidates.
23. Little things noticed by key individuals.
24. Integrity- self and in business.
25. Your EQ—ability to control your emotions, and read and use others.’
26. A composite of how you would come across representing the organization.
27. Delivering results in many areas outside your job.
28. Easy to manage-make your boss look good—do not make your boss look bad or have to expend political capital defending you.
29. CBA (cost benefit analysis) for alternatives (includes direct and indirect costs)
30. All combinations and permutations of all of these factors.

These 30 independent variables would be:
Mediated (mediators act as catalyst and without the right catalyst an action will not occur) by: 1) difficulty of change if it does not work out; 2) situations and 3) differing views of: a) the decider; b) the selected; c) the pasted-ups; d) other key constituents;

Moderated (moderators change the strength and form of relationships) by: 1) industry, 2) timing, 3) level of position and 4) location-culture-internal and external (formula developed from all cites in this paper plus Barner, 2000; Barney, 1986; Becker, et al, 2001; Blanchard, 2007; Charan, 2007; Cohen and Prusak, 2001; Collins, 2003; Covey, 2004; Crowley and Elster, 2006; Davenport and Beck, 2001; Finkelstein, 2003; Fisher, 2007; Flaum and Flaum, 2006; Gates. 2002; Goldsmith, et al, 2003; Goleman, 2000;Green et al, 2003; Jackson and McKergow, 2002; Jick and Peiperl, 2003; Kanji and Moura e Sa, 2001; Kelley and Litman, 2006; Levitt and Dubner, 2005; Lewicki and Hiarm, 2007; Malone, 2007; Mintzberg, 2004; Nutt, 2002; Peters, all listed; Porras, Emery and Thompson, 2007; Scott, 2007; Service, all dates; Smith, 2000; Smith and Mazin, 2004; Service and . . . , all dates; Welch, 2006 and; Williams and Ceci, 20072).

Discussion, Clarification, Simplification and Conclusions About the Formula

More simply perhaps, think of the total image and substance of the “me” (the one seeking a promotion) as a marketable product related to the individual’s functionality and quality for promoteability purposes. Quality here, as with any product, is simply the

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2 Over the past three years a deliberate attempt has been made by one author to ask managers, executives, trainers and working MBA students what they were reading to help them advance in their careers. The cited references within this article reflect a part of the results of those informal surveys. The contact author will share brief outlines of all the sources reviewed via email attachments upon an email request.
fitness of use for desired purposes (Juran, 1989). Moreover, the functionality and quality of use must be considered from at least three perspectives: 1) perceptions of those involved; 2) reality-realizing only a God could know this; and 3) as it is enacted with the promoted and the passed-overs.

Two points essential to viewing and managing one’s self related to quality for promotional purposes, are repeatedly stressed by management guru Tom Peters: 1) a persons most important task is to promote themselves, that is the branding of the” me” or the “you” that one desires; he also calls for one to understand the branding one actually exemplifies in the mind of others versus the branding one desires. 2) fix everything before it is broken or your competitors will do it for you (Peters, all dates and Peters and . . . all dates). As a quick note here we must add that it is a mistake to continue discounting what Tom Peters has preached over the years, because his words are being used extensively for HRM and promotional decisions throughout the real world lab of commerce. Though many of us in academia did not like Peters and Waterman’s 1982, In Search of Excellence, practitioners did and they bought it in droves. Many continue to this day to use Excellence in spite of the many solid academic critiques that have debunked much of what it proclaimed.

Hymowitz’s (2006) article “Any College Will Do” adds another perspective we must consider when he says:

The COLLEGE DIPLOMAS of the nation’s top executives tell an intriguing story: Getting to the corner office has more to do with leadership talent and a drive for success than it does with having an undergraduate degree from a prestigious university. . . . What counts most, CEOs say, is a person’s capacity to seize opportunities (2006, p. B1).

The promotions formula, the simplified me concepts of Peters and the possibility that any college will do, are conceptual views that should prompt the readers to begin thinking and understanding more about why promotion decisions occur: in-part so that those desiring may get promoted. Remember all leaders and managers need to grow constantly as intellects and repositories of information in order that they may be guides of acceptable behavior. We all have traps in our thinking: know them or not you have them. Therefore, we must be motivated, innovative, and attentive and broaden our knowledge in order to develop valid wisdom. All promotions simply depend on many things as we have shown. Therefore, those desiring to be promoted or help others get promoted must attempt to know all they can about the variables discussed in this paper.

The ability to read and understand gives us the privilege, and many would say obligation, to learn what has been discovered by others (Abraham Lincoln cited in Herndon and Weik, 1942) Using collective knowledge exemplifies the only sustainable advantage that can be contained within an organization’s human capital (Andrew Carnegie cited in Cortada and Hargraves, 1999). And, only by sharing knowledge can it be used for collective good (Cohen and Prusak, 2001). These supported statements point toward more transparency in promotional decisions. Finally, realize you can not understand business if you do not understand yourself and you can not get promoted into upper levels if you can not sell yourself.

Popular press and news media of all types seem to demand a short easy list for everything and in that vane we are attempting to simply our formula into some more
generalizable though hard to test principles. Generically and more simply anyone desiring to be promoted should always:

- Add value by being a net positive as an employee
- Deliver results in many areas within and outside of job description
- Communicate up, down, inside and out
- Exemplify integrity in all you do individually or as an organizational entity
- Invest in relationships both inside and outside your organization
- Sell one’s self and always manage the image that is the real “you” others perceive
- Gain the perspectives of others for what they think is more important than what is, or what you think
- Be easy to manage
- Have a replacement for yourself
- Always watch all the “little things” and avoid messing up: for there are many de-railers for those on promotional tracts (Badowski and Gittines, 2003; Goleman, 2000; Hesselbein and Goldsmith, 2006; Kawasaki, 2005; Lewicki and Hiam, 2007; O’Toole and Lawler, 2006; Peters and Peters and . . . all dates; Scott, 2007; Service and Arnott, 2006 and; Smith 2000. Plus years of experience ours and that of others who have contributed to this effort).

Understand clearly that the list above and our formula are not deterministic, they are probabilistic. The more of these issues you manage the higher your probability of getting promoted beyond the first supervisory levels. Only those that understand how others perceive them will make it near the top. Work to manage the image that others see as “you” in order that it may be more like the “me” you wish them to perceive.

Moreover, do not forget, the little things between the issues within the promotional formula or our “practitioner” list. The quick and dirty understanding is mostly dirty. Most of us love those answers quick and easy answers, and are enabled in failure by depending on them. Pick those less complex models if failure is your preference and go for the complexity that is really there, if success is your goal. True understanding of factors and self are required not just ability to categorize factors and one’s self. In closing, remember all of these factors rest on a foundation of relationships. The strength of that foundation will hold you up until you make it! Kids, dogs, bosses, subordinates, students and everyone else you know over time responds out of relationships pure and simple. It is a huge mistake to think that others value what you value and even when they do, they simply do not value it the same way you do.

Lastly, Jack Welch (2001 and 2006) supports much about our promotional formula and our simplified “list” of to-dos when he continues his mantra that getting promoted takes one do and one don’t! Do deliver superior performance consistently that extends beyond your job; and don’t make your boss look bad.

**Mindsets for Promotions Success**

In the formula there are mindsets which are listed that need to be more fully understood before the formula can be further tested and used. Understand the following mindsets and develop them if you desire for the upper reaches of organizations:
**Reflective:** Have the knowledge, skills and abilities required to manage yourself within organizations. Understand how you can apply planning, organizing, leading, controlling and staffing principles and theories to get things done through others.

**Analytical:** Be able to analyze problems, opportunities and threats facing organizations and society. Apply effective principles to insure that motivated people with the proper training are acquired and used effectively and efficiently. This includes the ability to use financial ratios and accounting statements to indicate problems and to facilitate direction setting.

**Worldly:** Understand the importance of interpreting environments and cultures at many levels. Develop the ability to apply management and leadership concepts to differing contexts. Be able to generalize past experiences and apply them to current situations.

**Collaborative:** Use smart networks of relationship-based organizations and functions to gain a sustainable competitive advantage in today’s global hyper-competitive world. Develop the ability to deal effectively with many levels within and outside your organization.

**Action oriented:** Manage change and ambiguity in innovative open environments. Apply concepts that represent pro-activity and leadership (Mintzberg’s, 2004, *Manager’s not MBAs* is a must read).

Your mindsets must be recognized by those that have your promotional success under their control! And, you must remember to stay in the game as a candidate that the powers that be will think of when an opportunity arises. A quote from a recent book that was popularized by a movie of the same title might help here. James Braddock the *Cinderella Man’s* manager said: “A good manager has to be a good psychologist. After a loss, he has to convince his fighter that it never happened and at the same time explain to him how to prevent it from ever happening again (Schaap, 2005: p. 84).” Often after the loss of a promotion one has counted on, the loser must be their own best psychologist and convince themselves it will work out next time if you play it correctly.

These mindsets as defined are relatively stable, yet the content and context of them must often change within new definitive guidelines. Wind, Crook and Gunter *The Power of Impossible Thinking* (2005) want us to remember that our mental models shape our worlds and we need to: 1) recognize the power and the limits of our mental models, 2) keep our mental models relevant, 3) overcome inhibitors to changing them, and 4) transform our worlds as needed. They suggest using zoom in and out thinking. Where you continuously zoom out to look at the big picture from the organizational and business unit perspectives as you stayed zoomed in on what you need to do in your current position. They instruct those who desire to be promoted to always know when to switch to new ways of seeing, experimenting, trusting intuition, using rigorous analysis, categorizing and prioritizing. Remember, avoid fixation, appreciate context and process over content, step out of context and into collaboration. Do not let successful, but antiquated mental models become prisons for your ability to make sense of changing worlds.
Conclusion—A Proposed “Ideal” HRM Model

Should be is not equal to is and if you accept it you get more of it for ignorance more often breeds confidence than does knowledge. So know what “is” and “it” are!

This paper has many limitations and work is needed to gather data for model building and validation. Additionally, the promotions formula is complex and needs testing. However, with the variables discussed here progress is possible. Until more of the variables are brought into the light-of-day, little progress is possible. Taken in the right way this article can act as a catalyst to begin a meaningful academic and practitioner dialogue on the “ideal” versus the “is” of this critical area of advancement for the worthy. It also gives us a guide to helping people understand what is required to get promoted beyond some trite 3 to 7 “secrets.” Overall, to improve in HRM management and research, and to show organizational management a view of what is needed to facilitate a better understanding of promotional decisions, the following HRM model is presented as one to understand and practice:

1. **Value people** first and last and everywhere in between.
2. **Fit** HRM with resources, purposes, objectives, strategies, and people.
3. Insure **employees know and understand** policies, expectations and objectives.
4. Provide a **way for employees to question** or appeal decisions.
5. **Always look at** body of research . . . don’t reinvent the wheel!
6. Put a **progressive disciplinary procedure** in place: consistently follow.
7. **Be consistent**: exceptions become rules.
8. Always follow the letter and spirit of the law.
9. **Commit to continuous**, honest, two-way communications.
10. Have HR functions **insure hiring, training, rewarding and promoting**:
    a) provides **best people** in the most effective-efficient way
    b) insures **fair and equitable** treatment
    c) supports **organizational missions** and values
    d) supports individual **unit objectives**
    e) builds **strategic partnering** mentality: not policing (adapted from Service and Arnott, 2006 with support from French’s 2007 HR text; Hasl-Kelchner, 2006 and; Smith and Mazin, 2004).

This model attempts to get HRM more nearly to the strategic partnering goal that has eluded most organizations for the past 25 years. Though the partnering goal is still cited in so many text, in reality it is far from being met (French [2007] espouses the goal; and Service and Arnott [2006] show from the results of over a 1,000 questionnaires that say it just is not being met in many if not most organizations). Additionally, our model fits more of the factors shown in our list and formula that really are important in promotional decisions than do existing models of HRM.

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3 Both authors of this paper worked for TRW before beginning their academia careers. TRW in the late 1970s and 1980s was continuously cited in HR texts as an example of HR excellence. The current authors managed at the leading edge of the attempt to make HR more of a strategic partner than a policing function. Experiences since the TRW times show that TRW was indeed “ahead of its time” in many ways related to HR. Many organizations still lag in the HR strategic partner reality. Our model can assist many lagging organizations, and indeed HR texts, to catch their practices up to the past 20 years of HR strategic partnering pronouncements.
Sadly most of us are looking for the magic bullet, the key, the secrets, the pill, the lucky break. The bad news is that the secret is there is no secret. Promotions and good HRM is dedication, hard work and focus, not luck. For, “Success is not a matter of mastering subtle, sophisticated theory, but rather of embracing common sense with uncommon levels of discipline and persistence (Lencioni, 2002).” For when you are dealing with people, an ounce of fact greatly outweighs a pound of theory, pure and simple (Tobin, 2003).

We would like to close with thoughts from Barack Obama’s 2006 book. Obama’s words should tell the reader and, indeed remind us (the current authors) that we need to consider thoughts and implications no matter the source or in spite of the completeness or complexity of the thoughts. Moreover, let us be reminded that though the job of a social scientist often requires categorization; understanding beats putting concepts into a category every time. Do not let categories get in the way of understanding. Though Obama’s remarks are somewhat taken out of context, the context of his complete thoughts are not the main concern. The chief concern should be the failure to learn from any and all sources and that a “thing” that is partially wrong is by definition partially correct:

I must admit that I may have been infected with society’s prejudices and predilections and attributed them to [other things than me—are not we all?] . . . . in years hence I may be seen as someone who was on the wrong side of history. I don’t believe such doubts make me [totally wrong]. . . . [but] I believe they make me human, limited in my understandings . . . . I must be continually open to new revelations—whether they come from [you or me].

This is not to say that I’m unanchored . . . . There are some things that I’m absolutely sure about . . . . (p. 223-224). Today’s politician [I would add social scientist] understands this. He may not lie, but he understands that there is no great reward in store for those who speak the truth, particularly when the truth may be complicated (p. 127). . . . Values are faithfully applied to the facts before us, while ideology overrides whatever facts call theory into question (p. 59). . . . an environment in which a single ill-considered remark can generate more bad publicity than years of ill-considered policies (p. 123). . . . It’s what keeps us locked in “either/or” thinking (p. 40).”

Yes, academicians and practicing managers make dichotomies out of many things that are not either/or but things that are both this and that and then some. Trite as it may sound, we should all strive to not stay wrong long.
Works Cited


ABSTRACT:

The study of productivity differences across countries has become a topic of interest in the empirical trade literature. Adding to the large body of literature on total factor productivity (TFP), much of the writing in empirical trade has moved away from the assumption of identical technology and now estimates productivity differences in an attempt to explain trade patterns. The primary emphasis in the trade literature has been on exogenous productivity differences. This paper explores factor reallocation costs, as another potential cause of productivity variation across countries. After deriving a model by which to separate exogenous country productivity differences from reallocation costs, the relative importance of productivity lost due to factor movement is estimated using input-output tables and reallocation data from the United States and Peru.
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## Academic Business World International Conference

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