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VENTURE CAPITAL DEMAND INDEX FOR GERMANY

Ted Azarmi, Heilbronn University of Applied Sciences

ABSTRACT

Research sponsored by SHS Venture Capital, Tuebingen

Prof. Azarmi's Venture Demand Index is a survey of startup, entrepreneurial, and growth companies focusing on Germany, Switzerland, and Austria. The survey team consists of PhD student (or students) at the University of Tuebingen and (or) Prof. Azarmi.

The Index measures and reports the financing needs of high-growth entrepreneurial firms. The financing activity is tied to generating sales, hiring, and investment. This demand-side index provides a new and innovative measure of venture capital environment that complements traditional venture capital confidence indices that are focused on the supply-side which are based on venture capitalist (or supply-side) surveys.

This survey of startup and growth firms also aims at measuring the contribution of venture capitalists and startup firms to the German economy as a whole. The survey provides stylized facts regarding current investment, sales, financing, and employment data for the startup and the growth sectors of German economy. In addition, it analyzes the current level of capital rationing that is faced by entrepreneurial companies in Germany.

The Venture Capital Demand Index based on 2008-2010 survey of 500 German startup and growth firms had a value of 52 for the business year 2009 (scaled so that 100 points represents venture demand index for the entire 2008 business year). The index level is 76 based on current survey results for 2010. The index level is projected to improve significantly (increase over 76) for 2011. However, under the worst case scenario that none of current financing needs of startup companies would be met by 2011, the projected index number would drop in value to as low of 41 for the next year. Naturally, the actual realized index value would only be available following a 2011 survey. A time-series graph of the index values is presented in Fig. 1.

Despite the optimistic current index reading and the projected significant increase over this year's reading for the future, in 2009 there was a sharp decline in demand for venture capital by German startup firms. The change may be attributed to increased confidence in the future of high-growth entrepreneurial environment. This increase in 2010 index reading is due to general economic strength of Germany over that period. However, unpredictable international demand is negatively impacting the venture capital industry, so that the index has not fully recovered to its pre-crisis level of 100.

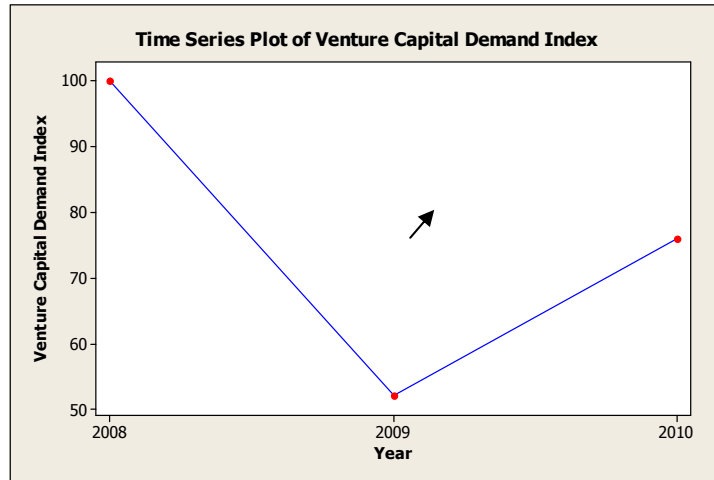


Figure.1: A Trend line for the Venture Capital Demand index over the last 3 years.

The firms in our survey were in the following business Sectors: Biotech 17%, Medtech 17%, life Sciences 14%, Cleantech 14%, Internet 9%, and other sectors 29%. These firms reported financing needs for the seed and startup in 54% of cases, growth in 31%, and other stages in 15% of cases. Also see Table 1.

This survey had a response rate of 8.2% and about 2/3 of our surveyed firms did chose to disclose their identity despite an option to remain anonymous. See table 2 for a list of these firms. This survey’s response rate is small. However, it is of a reasonable size in comparison to other confidence surveys. As, typically, venture capital confidence surveys suffer from a low response rate. For example a supply-side survey in the Silicon Valley of USA is based on only 32 responses.

The survey sample consisted of small companies in terms of sales. As shown in Fig. 2. the sales revenues for the year 2008 were up to one-million Euros in 63% of cases. 17% of the firms reported sales revenue of up to 3.5 Million Euros and another 17% had sales revenue of up to 10 Million. Only in 3% of the cases the sales revenue was up to 35 million Euros.

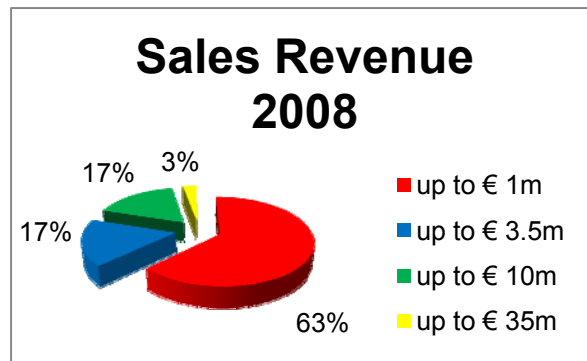


Figure.2.: The sales revenues in the base year of 2008 for Prof. Azarmi’s venture capital index

As shown in Fig. 3, half (50%) of the companies in the survey maintained a high sales revenue growth rate of more than 10% in 2009, despite the financial crisis. Furthermore, another 18% of the firms in the survey had a sales increase of 5% to 10%, while 12% of the firms maintained a constant sales level. However, 20% of the firms faced a sales revenue decrease from 5% or more compare to 2008.

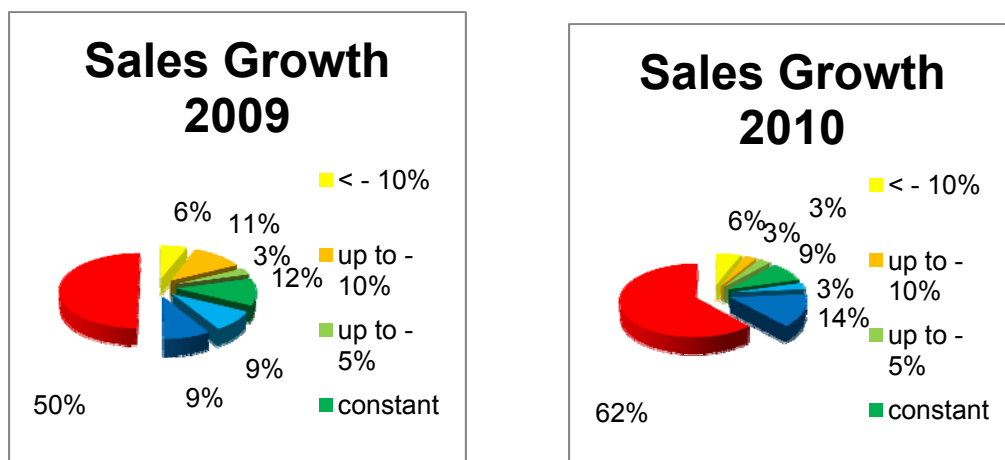


Figure.3L: Sales revenue growth in 2009 and 2010 for the survey sample in this study

The sales revenue results of our survey improved considerably in 2010. As shown in Fig.3, only 12% of the surveyed firms faced sales revenue reductions of 5% or more. 9% maintained their previous sales levels. Furthermore, the percentage of companies with sales growth rates of more than 10% increased to 65% in 2010 while the percentage of firms with sales growth of 5% to 10% decreased slightly to 14%.

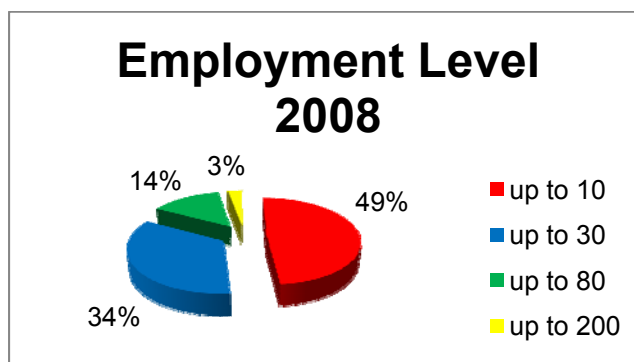


Figure.4: The employment level in the base year of 2008 for Prof. Azarmi's venture capital index

The employment levels for the surveyed firms remained rather stable over the years. In 2008, 49% of the participating firms employed up to 10 people while another 34% had up to 30 employees. 14% had up to 80 workers, and only 3% had up to 200 employees. See Fig.4.

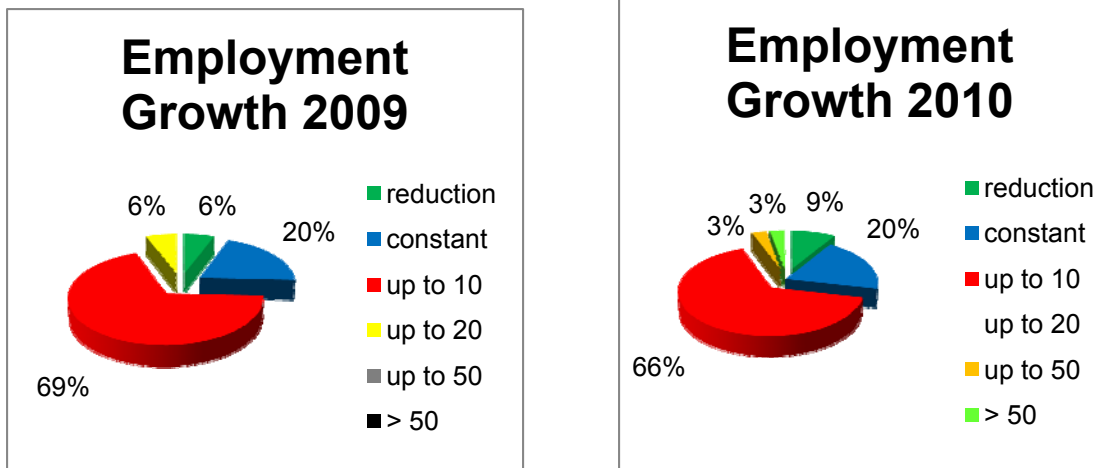


Figure.5: . Employment growth in 2009 and 2010 for the survey sample in this study

Fig.5, shows that despite the crisis, in 2009, only 6% of the firms reduced employment levels, 20% kept their overall employment level constant. Furthermore, 69% hired up to 10 additional workers and 6% increased employment by up to 20 people. According to the results of our survey, 6% hired up to 50 people or more in 2010, while 9% experienced a reduction in their employment level.

In 2009, 20% of the surveyed companies' budget for a constant employment level while 66% budgeted for a plan that called for hiring up to 10 people. The remaining companies did not provide data for this purpose. The largest category (or 80%) of investment level for the surveyed firms was an amount of 1.25 million Euros or less of future investment. Also see Fig. 6.

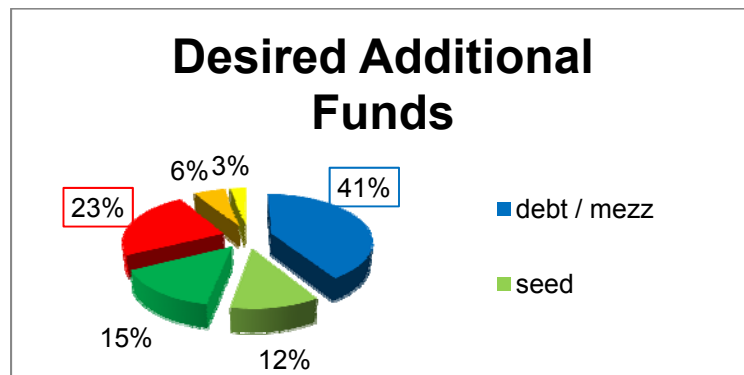


Figure.7: . desired investment growth for the survey sample in this study.

It is noteworthy that venture capital demand increased in 2010 despite a generally negative environment for venture-backed IPOs. However, this observation is consistent with

stylized facts in Germany, where, the venture capitalists who invest in the firms in our study rely on alternative future exits, besides IPO's.

Confidence remains strong in the growth of the German economy and its potential to develop startup businesses in biotech, Medtech, life sciences, Cleantech, and Internet sector and a number of other related fields. Faith in innovative work force and a general measure of excellence in this environment helps maintain a certain constant level of confidence in 2011. However, rationing of risk capital to support new enterprises, technologists, and entrepreneurs is projected to remain a real threat.

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A COMPARISON OF THE GREEK AND AMERICAN FINANCIAL CRISES: ANOTHER PERSPECTIVE

Stephen T. Evans, Southern Utah University

ABSTRACT

The recent economic strife in Greece has been well-publicized. After years of unsustainable spending, the government is faced with frightening realities, and austerity measures have only magnified the tensions. The 11.4 million Greeks have a GDP of \$312 billion per year or a per capita GDP of \$27,368 (compared to \$48,243 in the USA). The cumulative debt of the Greek government is \$435 billion for a debt to GDP ratio of 1.39. When adding the debts of households, businesses, and local governments, the total is closer to \$2.5 trillion or about \$219,298 per Greek citizen—about 8.01 times the per capita GDP.

In the USA, the GDP is \$15.1 trillion per year and the ‘official’ debt is \$15.5 trillion for a debt to GDP ratio of 1.03. But the \$15.5 trillion is only a small fraction of the actual debt burden. With household debt of \$16 trillion, business debt of \$22.4 trillion, and state and local debt of \$2.8 trillion, the total is \$56.7 trillion or 3.75 times the GDP. The \$181,150 per American citizen is less than the Greek total of \$219,298. And with a higher per capita GDP of \$48,243, the U.S. debt is only 3.75 times GDP compared to 8.01 times GDP for the Greeks.

In both countries, an additional burden needs to be added for unfunded liabilities from entitlement programs. Forgetting, for the moment, the debts of households, businesses, and local governments, when unfunded liabilities are added to the national debt of the Greek government, the total is \$6.1 trillion which is \$538,158 per citizen or 19.66 times the Greek per capita GDP. To the \$15.5 trillion in “national debt” of the USA, about \$117.8 trillion must be added for Social Security, Medicare, etc. bringing the total to \$133.3 trillion. This is a per-capita burden of \$425,839 or 8.83 times GDP. So the American debt burden with unfunded liabilities is still less than the Greek ratio of 19.66.

However, an additional burden (and perhaps the most worrisome) is that Americans have become the primary insurers of the world’s financial systems through the use of credit default swaps (derivatives). These are essentially insurance policies that guarantee other financial instruments, and the total is now a staggering \$779.7 trillion. For the Greeks these additional financial obligations are at about \$210 billion, so all debts and derivatives of the USA are at \$913 trillion or 60.46 times GDP compared to only 20.34 times GDP for the Greeks. This significant figure for derivatives could be the “chink in the armor” for the USA.

In the 2012 elections taking place in both countries, the political parties involved have significant differences in economic perceptions, and it will be an interesting election season to observe.

ATTITUDES TOWARD ACCEPTING A BRIBE: A LONGITUDINAL STUDY OF THE USA

Teresa Hernandez, Florida International University
Robert W. McGee, Fayetteville State University

ABSTRACT

This study examined the changing attitudes in the United States on the ethics of accepting a bribe. The study used data gathered as part of the Human Values surveys for 1981 and 2006 in the United States. The study found that opposition to bribery declined over time. Several demographic variables were also examined. Men and women were equally opposed to bribery in 1982, but by 2006, men became significantly less averse to bribery. People tend to become more opposed to bribery as they get older. Married individuals were less opposed to bribery than were other groups. Those who work part-time were more opposed to bribery than were other groups. In 2006, full-time employees were least opposed to bribery. Happiness was a significant variable, but the relationship between happiness and the extent of opposition to bribery was not linear. In 1982, those in poor health were most opposed to bribery; by 2006, they were the least opposed. Protestants were somewhat more opposed to bribery than Catholics.

Table 9: Summary of Findings

Overall – Opposition to bribery has declined over time.

Gender - Male and female mean scores were identical in 1982; by 2006, both genders became less averse to bribery, but the male sample became less averse than the female sample. Males became significantly less averse to bribery between 1982 and 2006. Males were also significantly less averse to bribery than were females in 2006.

Age - For both waves, the trend is for opposition to bribery to increase with age. Opposition to bribery declined over time for the two youngest age groups. Attitude did not change for the 50+ group.

Marital Status - For all three categories – single, married and divorced – opposition to bribery decreased between 1982 and 2006. For both waves, married individuals were more opposed to bribery than were the other two groups and single individuals were least opposed.

Employment Status - in 1982, part-time workers and those in the “Other” category, which includes retired, housewives, students and other, were most opposed to bribery, while self-employed individuals were least opposed. In 2006, the group most opposed to bribery was the part-time group. However, this finding must be heavily discounted, since the sample size for the part-time group was only 4. The group least opposed to

Table 9: Summary of Findings

bribery in 2006 was the full-time employee group. A comparison of the 1982 and 2006 data finds that the *full-time* and *other* categories became less opposed to bribery over time, while the *self-employed* group became more opposed.

Happiness - In 1982, the *not happy at all* group was most opposed to bribery; the other groups were equally opposed. In 2006, the *not very happy* group was most opposed; the *not at all happy* group was least opposed. The relationship among groups was not linear. A comparison of mean scores for the various groups for 1982 and 2006 found that opposition to bribery declined over time.

Health – In 1982, those in poor health were most opposed to bribery, while those in the other three groups were all equally opposed to bribery. In 2006, those in poor health were least opposed to bribery, while those in the other three groups were equally opposed. A comparison of mean scores between waves found that opposition to bribery declined for all categories.

Religion - For both waves, Protestants were somewhat more opposed to bribery. The mean for the Protestant group remained the same for 1982 and 2006, which the Catholic group mean declined slightly, meaning that Catholic opposition to bribery increased somewhat between 1982 and 2006.

AN ANALYSIS OF THE TREND OF POST-EARNINGS ANNOUNCEMENT DRIFT POST-EARNINGS GAP CHART PATTERN

**William M. Jones, Murray State University
Stephen K. Lacewell, Murray State University**

ABSTRACT

The purpose of this paper is to present a quantitative trading strategy to take advantage of post-earnings announcement drift (PEAD) in equities through one specific chart pattern called the post-earnings gap. This specific trading strategy is a trend-following system designed to maximize the essence of trend on a quarter to quarter basis produced by the post-earnings gap pattern, and at the same time minimize draw downs when the essence of trend ends. A twenty stock sample portfolio implementing the trend following system is back tested during a trending environment for equities through the first quarter of 2012. The sample portfolio return is then compared to the general market return for the same period. The results of the study conclude PEAD of the post-earnings gap chart pattern exists in equities due to the disposition effect of the mass psychology of investors, and a trend following trading system can be implemented to define post-earnings trend. The trading system in this paper yielded a theoretical return of approximately 1% greater than the average return of the S&P 500, Dow Jones 30, and Nasdaq indexes.

INTRODUCTION

Post-earnings announcement drift (PEAD) is the propensity for stocks to earn positive average abnormal returns following extreme, positive earnings surprises, and for stocks to earn negative average abnormal returns following extreme, negative earnings surprises. The factors behind what variables exactly cause PEAD are debatable. Nonetheless, the cumulative mass psychology of all investors who hold positions in the stock are vastly more important than any type of particular investor large or small. PEAD is caused by the disposition effect of the mass psychology of market participants as demonstrated by Frazzini, 2006, in his study of data on mutual fund holdings and the effects of unrealized capital gains and losses.

The post-earnings gap pattern is a visual charting representation of a stock instantly affected by an earnings surprise, and thus, the disposition effect. There is very little, if any, formal research available about the post-earnings gap pattern. Hence, the object of this study is

to quantify a trading system to find the back tested return of the pattern over a specific quarter to quarter time frame. To be considered a post-earnings gap, the gap-up day should be on at least 1.5 times, or 150 percent of, the 50-day simple moving average of daily trading volume based upon a similar gap trading strategy in the book Trade like an O'Neil Disciple, (Morales, 2010) where the author created a trend following strategy implementing longer-term time frames than this study. The outstandingly large volume in the stock is the footprint of institutional traders taking positions that are visually represented on the chart. In this study, the post-earnings gap was defined by the following three characteristics:

- The gap-up must be at least 3% or greater
- The gap-up must be on larger than normal volume of the 50-day simple moving average of daily trading volume.
- The gap-up must meet the criteria to be defined as a “growth stock” listed below:

DATA AND METHODOLOGY

The parameters for the 20 stocks selected for this particular study were modified from William O'Neil's CAN SLIM system from his book, How to Make Money in Stocks, (O'Neil, 2011). The parameters are broad enough to include stocks of almost any market cap and liquidity. However, the stock selection for this study had to be modified because a statistically significant sample size of stocks did not meet the requirements due in large part to the secular bear market from 2000-2012. “Secular,” is a term defining any time period longer than the business cycle with reference to the book Technical Analysis, The Complete Resource for Financial Market Technicians (Kirkpatrick II, 2011). 34-year historical cycles, composed of a 17-year period of dormancy followed by a 17-year period of intensity are likely the best descriptions of secular time frames. The selection parameters were necessary to eliminate any “junk stocks,” and in theory, increase the probability of PEAD after an extreme, positive earnings surprise.

Thus, the final sample of 20 stocks, obtained via the TC2000.com Charting Software Package, Gold Membership Subscription, is the focus of the analysis. The fact that PEAD exists regardless if it is caused by individual investors, institutions, or the combined disposition effect of market participants creates tradable opportunities if a quantifiable strategy can be developed with a positive expectancy. The quantifiable strategy implemented in this theoretical, back tested study is a trend-following system. Trend-following can be used on many various time frames for tactical asset allocation as portrayed by Faber, 2007, in his quantitative approach to tactical asset allocation model. Many successful traders who implement various trend-following system strategies can be further reviewed in the book Trend Following (Covel, 2006). In it Covel provides a plethora of information about the aspects of trend following strategies and

specific mechanical systems. The trend following system implemented in this particular study consists of three different scenarios to capture the essence of trend of PEAD:

- Scenario 1: **Buy** the stock at the open on the day of the post-earnings gap pattern. If after 4 weeks the stock **Closes Above** the 13-day simple moving average **Sell** the stock upon a **Close Below** the 13-day simple moving average.
- Scenario 2: **Buy** the stock at the open on the day of the post-earnings gap pattern. If after 4 weeks the stock **Closes Below** the 13-day simple moving average **Sell** the stock upon a **Close Below** the 34-day simple moving average.
- Scenario 3: **Buy** the stock at the open of the day of the post-earnings gap pattern. If after 4 weeks the stock **Closes Below** the 13-day simple moving average **Sell** the stock upon a **Close Below** the 34-day simple moving average. If the stock **Does Not Close** under the 34-day simple moving average before the next earnings date **Sell** the stock at the close of the previous day before the next earnings release.

It is important to keep in mind that this trend following trading system from quarter to quarter is only applicable in a trending environment for equities defined by the direction of the 34-day simple moving average of the general market. In this case, the 34-day simple moving average was rising the entire first quarter of 2012. If the direction of the 34-day simple moving average was falling the trading system would be voided and no trades would occur. It is also important to point out the trend-following trading system does not account for commission fees or slippage. Slippage is the difference between the expected price of a trade, and the price at which the broker actually executes the trade. Normally, slippage is just a few pennies, and can actually be eliminated with limit orders. Buying the stock at the open price of the day and selling at the close of the day give quantitative prices which can easily be back tested. However, the actual prices obtained would likely be slightly different for the better or worse, but statistically insignificant toward return percentages assuming the transaction took place at the exact open or close of the market. Hence, the opening and closing of the day were deemed the best option to use when back testing results.

RESULTS

These results show the back tested trend-following trading system outperformed the average of the three indexes by just under 10%. If the trend following system trading strategy stock selection parameters could be optimized to only include the top ten performers and reduce diversification, outperformance would be drastically improved. The post-earnings gap pattern could also likely be optimized and better defined to find the stocks with the highest probability of performing PEAD.

The bottom ten performers are not examined independently although they are included in the main list. The focus is on the top ten performing stocks to further study potential characteristics of what may create exceptional trend return and demonstrate theoretical return if the study could be further “optimized.” The return of the “worst ten” would still be 4.2% to the positive. It’s simply the authors’ opinion that more useful may be gleaned focusing time and energy on the characteristics of the best performers.

CONCLUSION

In conclusion, it is shown that PEAD exists due to the disposition effect induced upon all market participants when facing large capital gains or losses. The final results proved to provide a return that is on average 1% higher than the general market return while maintaining those gains into the next quarter when the general market declined. Therefore, the ability to stay in cash in low probability environments will have a dramatic impact on holding onto realized gains. When the market is trending the trend following system should be implemented to enhance return. Conversely, when the market is not trending the trend following system should be in cash for this particular strategy. It is also important to note that the trend following system should not always be in use and other trading systems are a necessity to supply capital to the markets in non-trending trading environments. Thus, this trading system provides the ability to hold onto winning positions so as to harvest as much of the PEAD price drift as possible while at the same time selling loser positions and/or small winnings positions.

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STUDY ON NON-PROFIT ORGANIZATIONS IN SOUTH CAROLINA: A RESEARCH SERVICE LEARNING PROJECT

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ABSTRACT

Not-for-profit organizations in South Carolina currently face a number of issues concerning corporate governance, accounting, and auditing practices. In a Research Service Learning project, the graduate Advanced Auditing class at Coastal Carolina University conducted a survey in conjunction with the Waccamaw Community Foundation, the Chapin Foundation, and the South Carolina Association of Non-Profit Organizations. The purpose of the survey was to gauge the overall knowledge of corporate governance, accounting, and auditing policies and to determine what, if any, practices and programs these organizations currently have in place.

Students gathered and evaluated the information provided anonymously by the participating Non-Profit Organizations (NPOs). Results were then compared to existing research of NPOs from across the United States when available.

The goal in compiling this data was to determine areas for improvement that will possibly lead to better and more efficient accounting and stewardship practices in the future. By addressing the topics in the survey, the information can be used as a resource to help NPOs in South Carolina.

234 NPOs responded to the survey over a two week period. An analysis of these responses provided the following summary of results:

- *The majority of surveys were completed by executives or management while the rest were completed by other key decision makers.*
- *The two additional demographic responses indicated that South Carolina NPOs had budgeted revenues and charitable contributions below the national average.*
- *Confidence in audited or reviewed financial statements released by South Carolina NPOs rated high, with 68% having a high level of confidence. Additionally, 59% of respondents indicated that the quality of audits or reviews of South Carolina NPOs is excellent or good and 59% think that the quality of these audits is improving.*
- *The top three committees on the Boards of Directors were Finance, Executive, and Development/Fundraising. 29% of South Carolina NPOs reported having an audit committee while 67% of national NPOs had an audit committee. 79% of South Carolina*

NPOs did not meet the best practice standard of meeting with the audit committee at least two times per year.

- *The majority of the 51% of NPOs that had an online accounting system were using Intuit QuickBooks NFP, followed by Blackbaud's The Financial Edge and Microsoft Excel. 38% of NPOs in South Carolina planned to purchase an online system.*
- *78% of respondents conduct a Form 990 Review, and another 9% plan to implement such. 36% of respondents utilize the Unified Chart of Accounts (UCOA) in their financial accounting, and another 15% plan to implement UCOA.*
- *54% of respondents indicated that they had implemented some type of accountability/stewardship practices within the last year and an additional 21% were planning to implement important practices. Additionally, 61% of respondents claimed to have had an independent audit in the last year. However, 8% of NPOs paid Board members to conduct the review of their financial statements, which violates independence standards.*
- *Comments from all demographic segments indicated that South Carolina NPOs would be interested in more training regarding best practices and in obtaining resources to help them achieve best practices.*

FINANCIAL CRISIS AND COMMON CURRENCY IN EUROPE

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ABSTRACT

Sovereign credit risk is receiving increase attention over the last three years heightened by the effects of financial crisis of 2008. To minimize the damage induced by the financial crisis western nations accepted transfer of a significant portion of private sector debt onto their respect to national balance sheets. Their anemic economic growth rates exacerbated their fiscal woes which, in turn resulted in steeply rising debt/GDP ratios. The idea of common currency with single monetary policy without strongly enforced fiscal guidelines is found to be a flawed structure in the Eurozone from the exposure of recent years' financial crisis. The strong currency policy in the Eurozone does not help economically weak member countries to compete efficiently. Growing dependence on external capital inflows to cover weaker countries rising trade imbalances can only make the country fiscally more insecure. Without any punitive trigger, an economically weak country can fall into a downward spiral. This paper examines and compares the economic profiles of Eurozone countries to observe how similar or dissimilar these countries are on the economic dimensions to identify countries' capacity to pay their debt. Classification and clustering methodology of canonical correlation, and canonical discriminant is applied to the economic data collected for Eurozone countries. Our analyses reveal that Greece, Italy, and Spain have been classified and separated from the other countries on the basis of economic factors and therefore belongs to those group that may lack the capacity to pay their debt. Thus, this analysis provides a diagnostics on the understanding of sovereign credit risk in the Eurozone countries.

GOODWILL IMPAIRMENT: A COMPARATIVE COUNTRY ANALYSIS

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ABSTRACT

In response to de jure versus de facto issues about the convergence of accounting standards, we investigate whether non-U.S. firms (which list their shares on U.S. secondary markets and report under U.S. standards) are more likely to interpret and apply the accounting rules in a different manner than their U.S. counterparts. Specifically, this study evaluates a mediation effect: i.e., that non-U.S. firms will take greater goodwill impairment charges under SFAS 142 (ASC 350) than U.S. firms. The findings indicate that firm-level and country-level characteristics including legal, accounting, and cultural values affect the goodwill impairment decision and impact the comparability of accounting information.

INTRODUCTION / OVERVIEW

On November 7, 2007, the U.S. Financial Accounting Standards Board (FASB) replied, as follows, to the Securities and Exchange Commission inquiry: “Investors would be better served if all U.S. public companies used accounting standards promulgated by a single global standard setter as the basis for preparing their financial reports. This would be best accomplished by moving U.S. public companies to an improved version of International Financial Reporting Standards (IFRS).” The FASB promotes *de jure* harmonization (harmonized rules). However, the FASB, unlike Ball (2006), does not emphasize tensions between *de jure* (rules) and *de facto* (practices) harmonization. Rather, the FASB reports that historical differences, which provoked variations in practice, are disappearing and maintains that a principles-based system is preferable to an apparently rules-based system. Despite the FASB’s confidence in the demise of historical differences, whether such differences exist remains an empirical question. In addition, the FASB’s belief that a rules-based global system improves the “usefulness and comparability of reported financial information” prompts a second empirical question: whether or not rules enhance comparability.

In this study, we are guided by the FASB’s emphasis upon the “usefulness and comparability of reported financial information” and suggest that comparability is an overarching goal focusing debate about harmonization and the desirability of principles-based standards. As Schipper (2003) explains, SFAS 141 and 142 are based upon the concepts of comparability and relevance (p. 64). Further, she says, SFAS 141 and 142 are principles-based,

but points out that application of the standards requires guidelines (i.e., rules) (p. 65). Influenced by the FASB's and Schipper's emphasis upon comparability, we investigate whether historical differences, which provoke variations in practice, are disappearing and whether non-U.S. firms (which list their shares on U.S. secondary markets and report under U.S. standards) are more likely to interpret and apply the accounting rules in a manner that lowers reported earnings as compared to their U.S. counterparts. Specifically, this study evaluates the likelihood that non-U.S. firms will take greater goodwill impairment charges under SFAS 142 than U.S. firms. The use of cross-listed firm data provides a useful platform to compare country effects while controlling for similar GAAP data input. In other words, we are able to examine country-level differences in the application of impairment standards in order to determine if *de jure* harmonization enhances comparability.

Prior research (e.g., Lang, et al., 2003) compares cross-listed firms in the U.S. with foreign firms of the same country that are not cross listed and documents that the cross-listed firms tend to have more conservative accounting. Other studies have compared cross-listed firms in countries mandating IASB IFRS to non-cross listed firms of non-US countries adopting IFRS subject to modification; such studies have inconclusive findings. While a comparison of cross-listed foreign companies in the U.S. with non-cross listed companies mandating IFRS in their countries would provide some useful insights into the degree of *de facto* convergence, differences in governance structure, concentration of ownership, degree of board member independence, and other institutional differences make such analysis problematic. In addition to our efforts to capture the effects of such factors by including variables in the regressions as well as addressing the problems of selection bias and omitted variables, our analysis minimizes effects of these problems by comparing cross-listed foreign firms in the U.S. to U.S. firms listed on the same stock exchanges. Moreover, while our ultimate objective is to provide information that will help global standard setters evaluate the merits of uniform adoption of IFRS as a global reporting system, our focus is on determining whether institutional and cultural factors continue to cause differences in accounting practice, regardless of whatever global reporting model is mandated.

The statistical analysis findings of a sample of non-U.S. firms trading their shares in the United States show that they tend to incur significantly greater goodwill impairment charges than U.S. firms. Using Gray's (1988) framework, we find that historical differences continue to influence accounting practice, specifically SFAS 142. Although both Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) agreed in principle in 2006 to harmonize accounting standards, our study illustrates how varying degrees of *de facto* implementation affect the application of reporting standards. Our findings lend support to Ball's (2006) argument that "influences on financial reporting *practice* [italics original] remain local" (p. 15).

U.S. FASB VS IFRS

Under U.S. GAAP, goodwill is not amortized. Following the rules-based approach to accounting standards, the U.S. provides detailed criteria for identifying intangibles and separating them into finite and unlimited life categories. Impairments relating to property, plant,

and equipment, and limited-life intangibles are covered under SFAS 144, while goodwill impairments are covered under SFAS 142. SFAS 142 requires that goodwill be tested for impairment at the level of the reporting unit, as defined in SFAS 131. Allocation of purchased goodwill over reporting units at any level below a subsidiary is arbitrary. Consequently, an overly zealous management can avoid impairments merely by reordering the reporting units so that a unit that has lost fair value is absorbed by another unit which has maintained a sufficiently large value relative to its carrying value. Subjectivity inherent in this bottom-up revaluation process enables management to avoid losses. Moreover, in time, the connection between the allocated goodwill and the acquisition that created it becomes nebulous.

Under IFRS 3, purchased goodwill cannot be amortized; rather it is tested for annual impairment. IAS 36 covers provisions relating to impairments of all operating assets including goodwill. Under IAS 36 goodwill is allocated to a cash-generating unit. Conceptually, the cash-generating unit as defined in SFAS 144 and IAS 36 is different than that of a reporting unit as defined by SFAS 131. Essentially, a cash-generating unit represents a segment of the company in which future cash flows can be separately identified and isolated from cash flows associated with other segments. Such a segment can pertain to a territory, a product line, group of assets or a single asset. In contrast, a reporting unit as defined by SFAS 131 is a decentralized segment of a business with a manager or management group for whom decision rights have been assigned. It is much broader in scope than a cash-generating unit to the extent that a responsibility center contains groups of assets each of which may generate separately identifiable cash flows or which synergistically operate to generate cash flows for the unit.

In summation, under IAS 36, a goodwill impairment is recorded when the carrying value of the cash generating unit exceeds the greater of its value in use and its net realizable value (i.e., its recoverable amount). Under SFAS 142's two step process, step one requires that the fair value of the reporting unit is less than its carrying value. SFAS 142 makes it easier for a U.S. firm to avoid incurring an impairment loss than its international counterpart IAS 36 for two reasons.

RESEARCH DESIGN

Because this study focuses on goodwill impairment, the sample investigates high-tech industries where purchases are of the utmost importance. In order to be competitive in a global market place, such high value firms must commit significant resources to research and development and foreign direct investment mostly in the form of selected acquisitions. A related reason for limiting our sample to firms from high-tech industries recognizes that firms can also develop internally as well as externally, particularly in the case of our sample firms. Before we evaluate the impact of cultural and institutional factors on predispositions toward conservatism (using goodwill impairment as our proxy), we first determine whether there is any significant difference in accounting practice with respect to the degree in which goodwill impairment under SFAS 142 is applied. Accordingly, our basic hypothesis is:

H1a *U.S. firms are less likely to take impairment losses than non-US firms.*

Ball *et al.* (2000) predict that common law countries' use of financial information in contracts leads to greater conservatism in common law countries than in code law countries. Using data from 1985-1995, Ball *et al.* (2000) find that earnings of common law country firms are "much more conservative" (2000, p. 293) than earnings of code law country firms. In summary, the literature on institutional influences on conservatism finds that firms in common law countries are more conservative than firms in code law countries. Thus, we hypothesize that:

H2a *Firms headquartered in common law countries are more likely to take impairments ceteris paribus than firms headquartered in code law countries.*

Disclosure practices also reflect institutional arrangements. To the extent that disclosure requirements are different across countries, one may hypothesize that management will have differential accounting treatments of business situations. While transparency of ownership structure, financial information, and management structure are influenced by a country's institutions, we do not have a theoretical basis for hypothesizing directionality of the influence. On the one hand, higher levels of disclosure will mean management and accountants use greater diligence in defining the initial characteristics of a transactions (i.e., identifying properly the goodwill value at the point of sale). If so, then fewer mistakes requiring impairments would occur in the future. On the other hand, businesses could be presumed to make random errors in the initial establishment of goodwill. Subsequently, the countries with higher disclosure requirements would be more likely to take impairments. We investigate the following hypothesis:

H3a *The level of disclosure of a country will impact firm impairments.*

One of the goals of our study is to investigate the contradictory predictions of the institutional and cultural relevance schools of thought. Therefore a hypothesis is that:

H4a *The level of cultural characteristics of a country will impact firm impairments.*

SAMPLE

The sample was taken for the years 2003 and 2004, which are stable with respect to US goodwill GAAP. We also selected these years, which occurred prior to mandatory adoption of IFRS in Europe (2005) as well as in Japan (2012) and other industrialized countries, in order to prevent the impact of such adoption from masking our cultural and institutional variables of interest. High-tech industry groups with SIC two digit codes of 28, 35 and 73 are utilized in the sample in part because of their propensity to acquire other firms. The focus of the study is on high tech firms that are in biotech (SIC 28), electronics (SIC 35), and software (SIC 73). Acquisitions in these industries are made to gain new knowledge, and thus, the goodwill account will likely be measuring a specific aspect of intangibles. The goodwill data were hand-collected from SEC filings. (Research Insight data were often not available.) In order for an observation to

be included, all relevant variables must have valid data from SEC goodwill data, Hofstede cultural variables, a composite cultural index, and S&P index information.

Our non-random sample includes U.S. and non-U.S. firms that list their shares on U.S. secondary markets and report under U.S. standards. Because these firms may differ significantly from the rest of their respective populations (e.g., Lang et al., 2003), our sample of non-U.S. firms that list on U.S. secondary markets may be biased. Accordingly, we will test for selection bias. Model statements are available upon request.

STATISTICAL ANALYSIS

Our results indicate no selection bias. The magnitude of the coefficient on “U.S.” drops from 1.4146 in the OLS regression to 1.3345 in the 2SLS regression. Despite the drop, the coefficient is still statistically significant ($p=.0163$). From this analysis, we know that selection bias inflates the impact of firm location on goodwill impairment; however, location is still a determinant of impairment. Correlation between the residuals and the “U.S.” variable is not significant at any conventional level.

Our statistical findings show that non-U.S. firms tend to incur significantly greater goodwill impairment charges than U.S. firms. In addition, we show that legal regime and disclosure practices are influential. However, the discovery that variables are influential provokes further inquiry. Specifically, we are interested in the influential or mediational process. Mediational analysis attempts to identify the intermediary process or processes that lead to the outcome of interest (Muller, Judd, & Yzerbyt, 2005). According to Baron and Kenny (1986), a variable may be called a mediator "to the extent that it accounts for the relation between the predictor and the criterion" (p. 1176). In other words, a mediator is responsible for the effect of the independent variables upon the dependent variables. A mediator is responsible for the effect of the firm-level variables upon goodwill impairment, and we hypothesize that such mediators are country-level, as opposed to firm-level, mediators. The results indicate that location and legal regime mediate the impairment decision. Tabulated results are available upon request.

Following Preacher and Hayes (2004), we also report results of Sobel tests for U.S. identity, legal regime, disclosure, and culture (i.e., uncertainty avoidance) as mediators. Sobel tests provide support ($\alpha=.05$) for identity, legal regime, disclosure, and culture as mediators of the relationship between the firm size and impairment. Finally, we also report results (untabulated) of matched pair analyses for U.S. identity and disclosure practices. And, the matching on industry and, then, accounting asset size produces similar results. These results have implications for future research about size with respect to its meaning as an independent variable in international settings.

SUMMARY AND CONCLUSIONS

Following Gray's (1988) model, this study examines the impact of firm location, legal regime, disclosure, and social values on accounting practice and values and, thus, on comparability of accounts. In the area of intangibles, international differences in accounting

practice and values suggest a daunting task in reaching global accounting convergence. Our study indicates that there are differences in accounting practices, even when firms are conforming to the same accounting standards. Rules and implementation guidelines, such as found in SFAS 142, do not necessarily enhance comparability.

References are available upon request.

BANK EFFICIENCY POST FINANCIAL LIBERALIZATION

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ABSTRACT

This paper examines the productive efficiency of commercial banks in India, using the Data Envelopment Analysis (DEA) technique for a sample of 70 commercial banks consisting of 26 public banks, 19 private banks and 25 foreign banks. For the study period of 1999 to 2009, we perform tests that allow for a comparison of the productive efficiency of state owned banks, private sector banks, and foreign banks operating in India. Our non-parametric approach allows efficiency analysis without assuming an artificial functional form for the efficiency frontier. We show that public sector banks in India have become efficient as measured by their placement on the efficient frontier of our model. Our non-parametric approach leads us to the surprising conclusion that the Indian public banks were more efficient than the foreign banks in our period of study. In contrast, the Indian private banks lagged behind both the public sector and the foreign banks in efficiency.

JEL Codes G21; G28; G32; D24; C16; C23.

Keywords: Indian Finance System, Banking Sector Comparison, Convergence, Banking Efficiency, Financial Liberalization, Public, Foreign and Private Banks.

INTRODUCTION

In order to measure the efficiency of the banks we gather and analyse a 10-years long dataset, starting 1st April 1999 and ending on 31st March 2009. The data is directly collected from the primary sources published by the central bank of India “RBI”. These publications include the Statistical Tables Relating to banks in India and Trends & Progress of Banking in India. The data is available from the RBI webpage at the following address: www.rbi.org.in.

There are eighty (80) Commercial Banks operating in India in the period of our study. We aimed at a complete study of the entire population of the data which includes all the banks that operated in India in the period of our study. However, mergers and mid-point or late market entry by some banks lead us to exclude certain cases and form a clean sample of remaining banks. That is, from 80 commercial banks operating in India, 3 private banks and 4 foreign banks started their business sometime after the beginning of our study period (of 1st April 1999). In addition, the data for 2 foreign banks for the financial crisis years of 2008 and 2009 are not publicly released. In our opinion, it is likely that these results were withheld to reduce

reputational adverse effects of their negative magnitude. We chose to exclude these banks for the entire period of study to avoid the selection bias that reporting of “non-crisis” years could have caused in our analysis. Finally, in one case a public sector bank was excluded due to a merger. That is, IDBI Bank Ltd., which was formed due to merger of IDBI Bank with IDBI Ltd. in 2004-05, is not included in our analysis. Therefore, the sample was reduced to 70 banks from which 26 are public, 19 are private and 25 are foreign owned, as shown in Tables 1-4 and Fig. 1.

RESULTS AND INTERPRETATIONS

The efficiency scores of public banks in India are reported in Table 1. In the first year of our study (in 2000), the average efficiency of public commercial banks was only 0.496. This is at almost half the efficient production level (or the best practice performance) of 1. This result also indicates that Indian banks early in the reform period were able to produce at a level which did not increase their input, but it merely preserved it.

However, the public sector bank production efficiency increased steadily from an average of 0.496 in year 2000 to a significantly higher average level of 0.639 in 2009. The variability in production efficiency also decreased from a standard deviation of 0.191 to 0.17. It is reasonable to conclude that competition with foreign banks and private sector banks has cause a marked improvement in public sector bank productive efficiency in India in the decade following the bank liberalization period.

There were a number of noteworthy productive instances amongst Indian state banks in our ten-year study period: 1) The State Bank of India (SBI) had a maximum efficiency of 1.0 and produced an output on the efficiency frontier throughout the entire ten-year study period. 2) The Oriental Bank of Commerce had a productive efficiency of 1.0 for nine years out of 10 and the Corporation Bank was efficient for seven years out of ten.

No.	Name of the Bank	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1	State Bank of India	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
2	State Bank of Bikaner&Jaipur	0.326	0.356	0.352	0.373	0.370	0.445	0.432	0.540	0.519	0.224
3	State Bank of Hyderabad	0.452	0.543	0.433	0.495	0.559	0.503	0.587	0.699	0.659	0.690
4	State Bank of Indore	0.543	0.583	0.478	0.572	0.518	0.523	0.663	0.610	0.662	0.637
5	State Bank of Mysore	0.296	0.347	0.321	0.352	0.331	0.366	0.489	0.489	0.529	0.511
6	State Bank of Patiala	0.465	0.490	0.533	0.669	0.684	0.689	0.719	0.732	0.778	0.742
7	State Bank of Travancore	0.459	0.509	0.488	0.560	0.585	0.616	0.637	0.586	0.589	0.589
8	Allahabad Bank	0.397	0.408	0.410	0.421	0.426	0.467	0.582	0.576	0.689	0.621
9	Andra Bank	0.426	0.509	0.545	0.559	0.631	0.657	0.608	0.704	0.742	0.676
10	Bank of Baroda	0.573	0.573	0.643	0.630	0.555	0.529	0.535	0.653	0.741	0.790
11	Bank of India	0.534	0.584	0.602	0.644	0.580	0.428	0.445	0.555	0.707	0.727
12	Bank of Maharashtra	0.424	0.517	0.543	0.571	0.603	0.418	0.319	0.468	0.535	0.615
13	Canara Bank	0.546	0.636	0.612	0.682	0.666	0.575	0.629	0.665	0.646	0.684
14	Central Bank of India	0.331	0.333	0.377	0.392	0.361	0.336	0.306	0.316	0.352	0.402
15	Corporation Bank	0.909	1.000	0.920	1.000	0.923	1.000	1.000	1.000	1.000	1.000
16	Dena Bank	0.555	0.607	0.608	0.590	0.599	0.480	0.671	0.634	0.625	0.579
17	Indian Bank	0.405	0.395	0.414	0.438	0.374	0.398	0.441	0.576	0.607	0.592
18	Indian Overseas Bank	0.456	0.448	0.471	0.510	0.477	0.456	0.579	0.624	0.676	0.623
19	Oriental Bank of Commerce	1.000	1.000	1.000	0.969	1.000	1.000	1.000	1.000	1.000	1.000
20	Punjab & Sind Bank	0.472	0.504	0.481	0.467	0.401	0.275	0.297	0.457	0.470	0.518
21	Punjab National Bank	0.389	0.448	0.451	0.499	0.049	0.429	0.531	0.522	0.560	0.561
22	Syndicate Bank	0.399	0.391	0.394	0.427	0.486	0.389	0.427	0.575	0.597	0.608

No.	Name of the Bank	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
23	Union Bank of India	0.475	0.344	0.372	0.631	0.613	0.577	0.624	0.721	0.814	0.708
24	United Bank of India	0.349	0.504	0.507	0.371	0.331	0.322	0.353	0.396	0.362	0.426
25	UCO Bank	0.314	0.346	0.359	0.459	0.490	0.386	0.340	0.402	0.477	0.517
26	Vijaya Bank	0.396	0.390	0.455	0.465	0.527	0.593	0.625	0.627	0.604	0.572
	Mean	0.496	0.529	0.530	0.567	0.544	0.533	0.571	0.620	0.652	0.639
	Median	0.454	0.504	0.480	0.534	0.541	0.474	0.580	0.598	0.635	0.618
	SD	0.191	0.195	0.185	0.182	0.209	0.200	0.200	0.174	0.171	0.177
	MAX	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
	MIN	0.296	0.333	0.321	0.352	0.049	0.275	0.297	0.316	0.352	0.224

There were a few foreign banks that performed at a best practice level of efficiency:

- 1) The bank of Nova Scotia and the State Bank of Mauritius achieved a maximum efficiency level in four years out of ten.
- 2) The Bank of Tokyo-Mitsubishi UFJ, Citi Bank, JP Morgan and Shinhan Bank were on the efficiency frontier for three years out of ten.
- 3) The Barclays Bank achieved maximum efficiency in two years. 4) Finally, Abu Dhabi Bank and Krung

Thai Bank each produced one year of output on the efficient frontier.

Bank Groups	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Sector Banks	0.496	0.529	0.530	0.567	0.544	0.533	0.571	0.620	0.652	0.639
Private Banks	0.129	0.156	0.175	0.219	0.301	0.347	0.426	0.446	0.526	0.507
Foreign Banks	0.473	0.370	0.490	0.500	0.556	0.505	0.575	0.517	0.461	0.461
All Indian banks	0.366	0.352	0.398	0.429	0.467	0.462	0.524	0.528	0.546	0.536

Note that despite the overall superior average efficiency performance of the domestic public banks, there were a larger number of foreign banks on the efficient production frontier than Indian public banks. This indicates that the foreign banks may belong to two strata or divided in two groups of high and low efficiency performance.

Table 2, shows the overall mean of the productivity of Indian public sector, private and foreign banks for the ten-year period from 2000 to 2009. The overall productivity for Indian banks in this period ranged 35.2%-54.6%. This, productivity rate is low and indicates a significant level of inefficiency in the banking system of India. In our opinion, one underlying reason is that the initial investment and operating expenses per bank is relatively high compared to business revenue per branch in this country. In particular, banking transaction costs are relatively high in India.

Table 2, also shows that in each of these ten years, public sector banks were relatively more efficient than the private and foreign banks in India. One hypothesis for future research is to examine the wide network of public bank branches, inter-connectivity of these banks, and their ties to the community as an underlying reason for their efficiency. A similar hypothesis may state that the source of private bank inefficiency is the high transaction cost for processing deposits.

In Table 2, foreign banks show relative efficiency in contrast with private banks except for the financial crisis years of 2008-09. One hypothesis that may be investigated in future research is that foreign banks have access to technological resources as they are operating branches at the global level.

In addition, in the second year of our study, foreign banks experienced a low level of efficiency score of 37%. One hypothesis to investigate in future research states that additional investment required establishing these banks in India and their relatively higher operating expenses without proportional increase in outputs contributed to this decline in efficiency.

Fig. 1 shows the time-series plot of the production efficiency of Indian banks over the ten-year period of our study. It shows that the Indian public sector banks were more efficient than the private banks for the entire period. The foreign banks started at a similar efficiency level as the public banks. The foreign banks had more volatility in efficiency and caught up with the public sector banks in the period of 2004-2006. However, for about a year prior to the financial crisis and that entire period, the foreign banks have had a marked decline in efficiency. Private sector banks have consistently improved in efficiency and been able to surpass the foreign banks in production efficiency in 2008-09.

Table 3, shows the results for a formal analysis of variance test for difference between mean efficiency of private, public, and foreign banks operating in India in the ten year period of our study. This ANOVA test confirms that these three sectors have significantly different efficiency level at a $p = 0.000$ or with 99.999% confidence. In particular 55.25% of variability in efficiency of banks in India can be attributed to whether a bank is a public, private or foreign.

Figure 1. Production Efficiency Scores of Public, Private and Foreign Banks in India

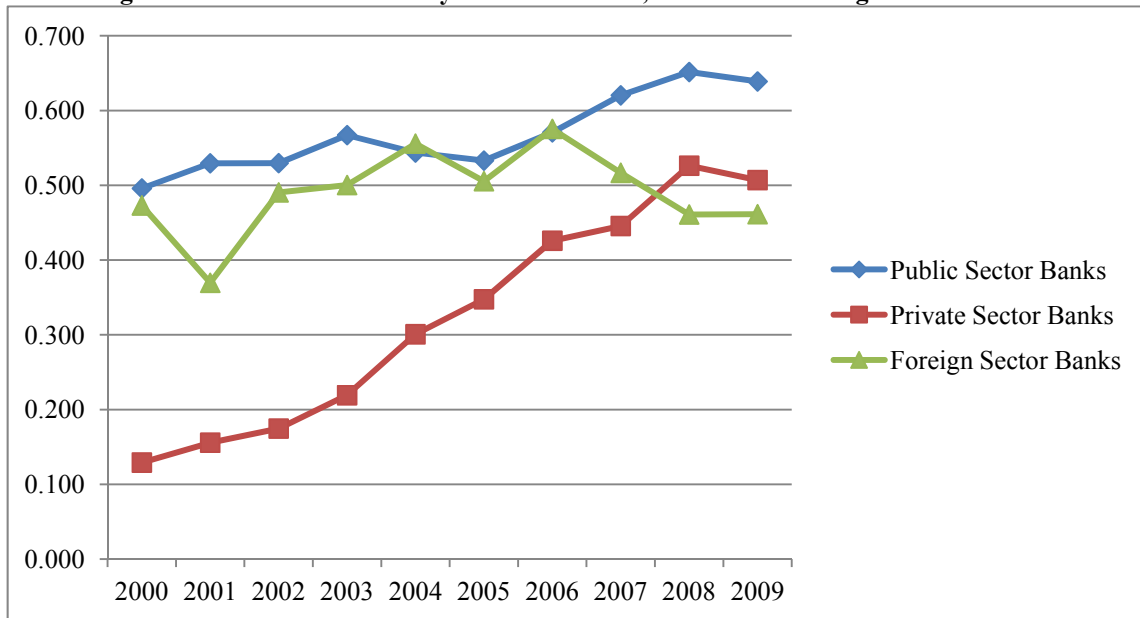


Table 3. One-way ANOVA of efficiency of Indian banks versus the bank sector

Source	DF	SS	MS	F	P
C15	2	0.31347	0.15674	16.67	0.000
Error	27	0.25387	0.00940		
Total	29	0.56734			

S = 0.09697 R-Sq = 55.25% R-Sq(adj) = 51.94%

Individual 95% CIs For Mean Based on Pooled StDev

Level	N	Mean	StDev
1	10	0.56810	0.05245
2	10	0.32320	0.14911
3	10	0.49080	0.05676

Pooled StDev = 0.09697

Table 4 shows the results for a one way ANOVA test for difference between mean efficiency of public and foreign banks. There is some overlap between the confidence intervals for the range of efficiency data for these banks. However, a direct ANOVA test in Table 6 shows that the difference in efficiency of Indian public banks and foreign banks that operated in India in the post liberalization period of 2000-2009 is significant at a $p = 0.004$ level. In fact we can conclude that Indian banks were more efficient in this period with 99.96% confidence.

CONCLUSION

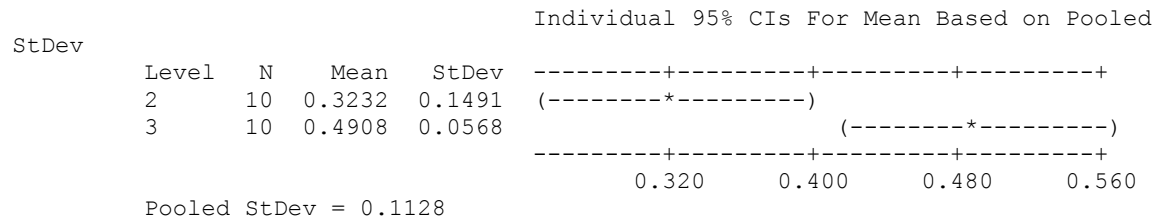
Our analysis of productivity of the banking sector in India shows that the overall average efficiency scores are not satisfactory relative to best practice case scenario. However, there has been an increase in overall efficiency of productivity over the last 10 years, except for the years 2001 and 2009. Analysis of performance of individual public banks, indicate that State Bank of India, Oriental Bank of Commerce and Corporation Bank have been performing at a best practice level of efficiency and are on the efficient frontier in most of the ten year period of our study.

Among private banks IndusInd Bank, ICICI Bank, and South Indian Bank have performed at a best practice level of efficiency for a few years in the last ten years. In contrast, there are a larger number of foreign banks that have performed at the best practice level of efficiency in comparison to public and private banks where relatively fewer banks have met this benchmark. Despite this, on average Indian public Sector Banks are relatively more efficient as compare to the average efficiency for private and foreign banks. This may be due to segmentation of foreign bank in to two relatively more and relatively less efficient classes. Finally, foreign banks are on average more efficiency than the Indian private banks, with the exception for two years during the financial crisis.

Table 4. One-way ANOVA of efficiency of Indian banks versus the foreign banks

Source	DF	SS	MS	F	P
C15	1	0.1404	0.1404	11.03	0.004
Error	18	0.2291	0.0127		
Total	19	0.3696			

S = 0.1128 R-Sq = 38.00% R-Sq(adj) = 34.56%



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INTRAPRENEURIAL LEADERSHIP AND CUSTOMER SERVICE IN AUSTRIA, BULGARIA, FINLAND, AND POLAND

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ABSTRACT

Intrapreneurial leaders are primarily motivated by goal orientation, customer service orientation, and self-motivation. They respond to corporate rewards and recognition, however more than that, they desire freedom and access to the organization's resources. They tend to be very self-confident and have a lot of courage. Most intrapreneurs are cynical about the system that defines their organization, but are confident in their ability to beat the system so to speak. These leaders like a moderate risk level. They are not afraid to get fired and do not hesitate to take personal risks to push or accomplish something they believe in. Where as traditional leaders have a time orientation that is confined to corporate restrictions, Intrapreneurial leaders have a much broader time orientation. They generally are looking from 3-10 years out, whether it is for their organization or their personal life. This allows them to create visions and plans for the future. When making decisions, they work at getting others to agree with their private vision so that they make decisions how they want to. In the current study we examine intrapreneurial leadership among entrepreneurs in Austria, Bulgaria, Finland, and Poland.

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INNOVATION PURCHASE DECISION FORCES; FROM MICRO TO MACRO AND BACK AGAIN

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ABSTRACT

Adoption of a new product has been widely studied (for example, Abrahamson, 1991; Daft, 1978; Damanpour, 1991; Meyer & Goes, 1988), while non-adoption has understandably not been as researched, with only fifty-nine articles returned on a search of non-adoption (Search completed in Business Source Complete on June 30th, 2012). Non-adoption has direct impacts, most directly on the lack of growth or the failure of the company selling the product. In this case study, a product's non-adoption in the marketplace is examined from multiple perspectives in an attempt to gain insight on the forces behind the limited adoption in the marketplace. Based on feedback, the product was interesting and had value, the founders knowledgeable and respected, and return on the investment studies showed a quick and strong return; so what could be the reason?

Both macro and micro forces will be examined, as they are relevant in any research involving a decision. At the macro level, isomorphism and the potential lack of legitimacy will be explored as this theory may be relevant for a new company in a mature and highly structured industry. At the organizational level, strategic forces will be investigated to ascertain their level of influence on the adoption of a new innovation, and finally, individual decision-making forces will be examined. These three forces can act on any organizational decision and play significant roles in this case study.

OVERVIEW OF THE CASE STUDY

There are two key elements to this case study; the innovative product being offered to the marketplace and the potential customers who can make the decision regarding the innovative product. This article will examine these two elements in turn, applying relevant theories to explain the outcome and examining the interplay between them. After the theoretical discussion, research from the case study will endeavor to highlight where and when the theories were applicable.

The company at the heart of this case is a start-up software company founded by a team of seasoned executives, known and respected in their industry of point-of-sale software which is software aimed at retailers. The retail industry was the target of the case study company, and that may have set the stage for the outcome. The retail industry is not seen as a technology front-runner and frequently plays catch-up with other industries (Walsh, 1991). Furthermore, as the

case study will illuminate, the opportunities to search for and locate new technology innovations are neither frequent nor common in the retail industry, leaving industry executives with fewer innovative options than may be found in other industries.

THEORETICAL OVERVIEW

In order to appropriately place this case study within the current stream of knowledge, a brief overview of the research on innovation, isomorphism, strategy and decision making will be conducted. These four streams will provide the framework used to examine the case study company and the decision makers involved.

Innovations are seen as a driver of economic growth; however, it cannot be assumed that all innovations are beneficial to an organization (Abrahamson, 1991). In line with the goal of providing normative guidelines for the most supportive organizational structure in regards to innovation, it may be possible to identify successful influences on organization, as well as recognize those factors that may result in unsuccessful innovations. Due to the range of innovations found in an organization, large or small, it is argued that the innovation is a valid unit of analysis (Downs Jr & Mohr, 1976), allowing the researcher to avoid the inconsistencies encountered when attempting to provide one label for all of an organization's innovations.

Organizational theory provides the ability to generate a spectrum of orientations ranging from following the established norms to proactively selecting an alternative course, indicating the response to institutional forces involved in an innovation. The theory can provide a backdrop to identify the influences behind innovation, adding to the understanding. Additionally, business goals can offer additional dimensions to the appreciation of the complexities of organizational innovations. The presence of internal or external goals may provide a broad range of research opportunities and perhaps provide a rationale for the unnecessary and unsuccessful innovations that are being adopted and generated.

Another method of phrasing this discussion can be found in Deephouse's research (1999), analyzing how companies may struggle with the strategic balance of appearing unique, yet being similar. The corporate value in uniqueness can be found in the lack of competition. While acknowledging the need for the customers to be able to understand the value in an organization's offerings, uniqueness can be the key to locating and exploiting high profits. However, there are also economic gains found in being similar, both from the legitimacy gains as well as the opportunity to copy successful practices at reduced costs. Thus, Deephouse argues that companies need to find the strategic balance between differentiation and similarity to gain the most of both options.

While the competitive and business environment can play a strong role in providing forces leading to the generation and adoption of innovations, so to can the decision making. More specifically, this influence may be felt via the decision making process or the decision maker. Consequently, the structure of the organization can dictate the direction and potential

result of a decision (Knudsen & Levinthal, 2007; Witte, 1972) and in consequence, researchers have argued that the organization should be designed with decision making in mind (Huber & McDaniel, 1986). However, the person making the decision must be acknowledged as a force as an individual can also influence the decision either consciously or subconsciously (Choo, 2008). Thus, for any examination on the forces behind the selection of innovations, decision making must be thoroughly examined.

THE COMPANY AND THE PRODUCT

The company began in 2007 while two of the founders were still employed at a multi-national retail software vendor widely recognized as a leader in the retail software world. They had noticed that their retail customers were repeatedly requesting features that would enable them to easily communicate electronically with their stores with the ability to track and measure responses and therefore compliance with directives. While some of the larger software packages addressed this capability, none had the specific workflow that was being requested. Thus, the founders felt they could exploit this opportunity by creating a technological solution.

The RetailSoft solution addressed the communication and workflow issues commonly found in retailers with multiple stores. An example of a situation is that the Head Office would develop a new sales and marketing activity, and would send out emails to the stores. Head Office may have targeted email lists, but due to the typical high levels of turnover at stores, email lists were frequently out of date, increasing the opportunity for a blast email to be sent out to all store employees. From the Head Office perspective, the message had been sent, but it was unknown whether the directives had been followed or even read without involving more personnel. From the stores' perspective, emails were sent to them in droves and there were many instances when store management was unclear as to their required involvement or responsibility. If the store contacted the Head Office via phone or email for clarification, it could take an extensive period of time before the correct person was reached to find an answer.

By 2010, RetailSoft had hoped to have many, many customers and to have grown revenues to \$14 million dollars (USD) and increased employee numbers (RetailSoft Investment document). However, in 2010 there were only 7 customers, limited revenues based on their deep discounting for new customers, and the employee numbers were stagnant at 5 full-time employees and a couple of part-time contractors. While many companies were interested in learning about the software, very few were actually signing a contract.

CUSTOMER AND PROSPECT FEEDBACK

In speaking with all customers and prospects, it would seem that the opportunities for locating new technological innovations are few and far between in the retail industry. All mentioned the National Retail Federation (NRF) Annual Show (National Retail Federation,

2012) as the key location for learning about and gathering information on new technologies, with two interviewees also mentioning peers as a source. RetailSoft's newness in the marketplace and their newness in their approach generated interest. Specifically, for RetailSoft's target market of small to medium sized retailers, SAAS provided a method of implementing an innovative product with much less risk than typically encountered with new software.

RetailSoft's return on investment was frequently mentioned by both customers and non-customers. Based on the low investment required by RetailSoft, all executives who were willing to answer the question stated that the return on investment would have been reached within months, a very short time frame for software. One executive went so far as to say that 'the price point was extremely compelling' (Phone interview A, August 24, 2009). Added to the standard price point that was compelling was that as a new company, RetailSoft needed customers to provide cash needed to continue their development, making them very amenable to discounting their already low product. One customer mentioned in an interview that the software had been virtually given to them in exchange for their feedback on the product and willingness to be a reference; for that customer, those factors were too good to pass.

If price was not the reason for the lack of purchases, what was the key factor? This question was frequently answered by executives by saying what RetailSoft did not have. RetailSoft did not have the track record, the volume of customers, and in some cases, the breadth of solution desired. It is important to note that the lack of breadth of software was only noted by those prospects who were larger than RetailSoft's target market; that is, those prospects who were large enough to look for a solution that would work nationally and internationally in conjunction with other internal systems. RetailSoft's ultimate goal was to be purchased by a larger software company who would integrate their solution; thus, there was no intention of linking to other softwares before then. However, as long as RetailSoft stayed within their target market, prospects and customers were not concerned with the breadth of software.

Nonetheless, the fact that RetailSoft was new to the market with a new product was used to the benefit of some prospects. RetailSoft was used during the decision making process to 'keep the other vendors honest' (Phone interview B, September 3, 2009) even though it was admitted that RetailSoft did not have a chance at the contract as the other vendors had products covering multiple business areas that RetailSoft did not. The RetailSoft executives felt that they had had a good shot at that particular company with their particular solution, not knowing that the vendor was using their competitive price point to drive the larger vendors' prices down. The lack of a lengthy resume made RetailSoft a non-contender with more than a few companies, with executives taking the opportunity to learn about a new approach to task management with very limited intentions of taking the innovation to a decision point.

Risk was also a factor in the decision making process of the retail executives. While there was limited financial risk, there was a risk found in the combination of the delivery model of SAAS and a new company. As the software would not be housed at the customer site, if RetailSoft went out of business, the customer would automatically not have access to their

software. While there would be limited financial impact due to the monthly pricing model, there was a large risk to their communication process, which could seriously impact their business.

Another key element for RetailSoft was the problem they were trying to solve. While all executives interviewed agreed that task compliance and communication was an issue, it was not a burning issue. Therefore, as one executive stated 'it did not get prioritized' in relation to other strategic options. The pain that RetailSoft solved was not that large or did not provide other strategic opportunities that could be exploited.

Adding to the lack of strategic impact may be the nature of the retail industry. While there were executives who did mention strategy, there were also others who focused on the reactionary nature of the retail industry. 'We solve problems by throwing hours at it, throwing people at it, throwing time at it... we tend to be reactionary to technology.' (Phone Interview C, August 16, 2009) This reactionary nature of the retail industry may increase the reluctance to solve a lower-ranked issue, even though executives did desire the solution. When push came to shove, the risks and effort outweighed the return.

It is key to note that all of the customers and many of the prospects had relationships with at least one of the RetailSoft executives before the software was developed. That is, the RetailSoft executives used their past relationships to develop potential new customers. For all the customers, this was a key element in decision-making process, perhaps indicated that the knowledge of the person mitigated other unknowns of the company during the decision making process.

CONCLUSION

This case study provides an in-depth look at how decisions are made on an innovative software product. While these results cannot be generalizable, they may provide a basis for future research. This research may be examined from the perspective of the innovation chosen as this researcher chose, or may examine it from the decision maker's perspective without regard for the innovation chosen. However, when the two elements are aligned, the results may be more targeted and provide more clues as to the how these decisions are formed.

For this company, the future is not rosy, but not totally bleak. If the economy does open up and free up the purse strings of businesses, they may increase sales, assuming that is a major factor. If one of the other factors plays a more important role, then the economic conditions of their prospects will not change their sales volume. Nonetheless, it remains to be seen if this company will survive their current stalemate with prospective customers, no matter what the reason.

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FOSTERING INTRAPRENEURSHIP ON THE MACRO-CORPORATE LEVEL

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ABSTRACT

The purpose of this research paper is to serve as an examination of intrapreneurship on the corporate level. The study was focused specifically upon what fosters this entrepreneurial mindset within an organization as a whole, how it is developed in employees, and its effects upon the organizational dynamics and effectiveness. What was found through the research was the tremendously positive effect the entrepreneurial mindset has upon all organizations. The ability of these individuals' to think outside the box and see opportunity where others are unable helps the organization in profound ways. This research study is valuable to the current pool of information available today because it is a collaboration of many different academic article contributions and research studies into one source. It is a clear and understandable collection of these data sources and answers the question presented effectively.

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THE PROPOSED NEW FORMAT FOR FINANCIAL STATEMENTS: A HEADS-UP FOR NON-FINANCIAL EXECUTIVES

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ABSTRACT

The manner in which a company presents the information contained in its financial statements is central to the conveyance of this information to both financial and non-financial users. However, alternative presentation formats currently allowed under both US and international accounting rules can, and frequently do result in transactions and events not being reported or classified consistently from one financial statement to another. This often results in a decrease of user comfort and of utility of financial statements, especially to non-financial executives. The Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) have both acknowledged the difficulties in this approach and each body added a financial reporting project to their agendas in 2001. The FASB and the IASB in 2004 united to undertake a joint project on financial reporting. The objective of this international convergence movement is the creation of a common international standard which would improve how information is organized and presented in financial statements. . Based on input and feedback collected from individuals and groups interested in the fundamentals of financial reporting, each Board individually issued, in 2010, a Staff Draft proposing a new, unified, international set of guidelines for financial statement presentation. This paper provides non-financial users with an overview of the FASB Staff Draft which contains the results to date of this joint FASB-IASB project. In addition, this paper explores, via discussion and comparative statement presentation, the difficulties that could be encountered from the proposed changes in financial statement presentation as well as pointing out facets of the proposal with which non-financial users are already familiar.

INFLUENCE OF EXTERNAL FACTORS IN THE HOUSING MARKET

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ABSTRACT

In this research we explore the association of internal factors and other information externalities in the determination of residential housing price to observe the influence of external factors in the housing market. In recent years, the housing markets have experienced some episodes of large proportions as a result of persistent increase and then followed by significant decrease in housing demand and their prices. This unsustainable incrementally sequential association of subprime mortgage rate, stepping into homeownership rate, and then spreading into housing price over time is the root cause of the plunge of housing market. Spillover effect of this housing crisis spread into other financial/economic markets and is likely to be prolonged. This economic event has important implications for market participants and financial regulators for understanding the cross-correlation dynamics of housing market behavior. This study, thus explores the role of mortgage rate on the housing price with regard to the understanding of market dynamics. In general, housing price may depend on various internal and external factors and mortgage rate is one of them. The purpose of this paper is to understand the cross-correlation dynamics of housing market behavior with particular emphasis placed upon the role of mortgage rate. Specifically, the present study attempts to identify the particular lead-lag association between mortgage rate and housing price in conjunction with economic cycle. Housing market plays a significant role as a leading indicator of the economy and therefore understanding the market dynamics cannot be overemphasized. The interesting observation of this research would be the findings of length of time that requires for mortgage rate to impact the housing price in the domain of complex housing market environment. In addition, this study will also explore the impact of economic cycle on the housing price after it is adjusted for inflation.

SHOW ME THE MONEY: EVALUATING THE IMPACT OF AN ONLINE PROFESSIONAL DEVELOPMENT COURSE FOR MIDDLE AND SECONDARY CLASSROOM TEACHERS

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ABSTRACT

An interactive, online professional development course titled, “Show Me the Money: Personal Finance for Middle and Secondary Classrooms” was recently developed as part of a collaboration between a regional metropolitan university and a state economic education organization. The course was designed to encourage middle and secondary educators to integrate personal finance concepts across the curriculum using materials from the Council for Economic Education resources and activities, and focused on teaching strategies to differentiate learning for all students.

This study presents the initial results of the collaborative professional development course in terms of teacher attitude towards economic education and student learning outcomes. Initial analysis of the results indicates a positive increase in teacher attitudes as well as a statistically significant increase in student knowledge of personal finance concepts.

INTRODUCTION

“This has been an amazing course and I really find it hard to be able to express which resources are going to be most useful to me. I have thoroughly enjoyed each of them, even though I tend to like the interactive websites, games, and quizzes due to the attractiveness of this type of resource for students. I am posting my webliography and can't wait to see others' and add them to mine.

I have seen such an increase in my students' understanding of the importance of personal finance just in these 8 weeks.”

A recent collaboration between a state economic education advocacy organization and metropolitan university resulted in the development and facilitation of an interactive, online professional development course, “Show Me the Money: Personal Finance for Middle and Secondary Classrooms”. The course was designed to encourage middle and secondary educators to integrate personal finance across the curriculum using materials from the Council for Economic Education resources and activities, and focused on teaching strategies to differentiate learning for all students. This case study presents the initial results of the collaborative

professional development course in terms of teacher content knowledge, attitude towards economic education, and student learning outcomes.

PROFESSIONAL DEVELOPMENT COURSE

“Show Me The Money: Personal Finance for Middle and Secondary Classrooms” was designed to encourage middle and secondary educators to integrate personal finance across the curriculum using materials from the National Council for Economic Education resources and activities, and focused on teaching strategies to differentiate learning for all students. (The course development and assessment were conducted with the financial support from a Council on Economic Education Excellence in Economic Education grant.)

The course was developed as a partnership between a state economic education advocacy organization, a metropolitan university, and the state department of education’s e-learning branch. The online professional development courses offered were available online 24 hours a day, 7 days a week, allowing the participating teachers access to the course at their convenience. Finally, the researcher served as the course designer and facilitator as well as conducted the evaluation of the course assessments.

The course explored personal finance concepts included in JumpStart Coalition’s National Standards for Personal Finance Education and state curriculum content standards through interactive, hands-on lessons, activities, and resources that could be immediately integrated into participating teachers’ middle and secondary classroom instruction. The goals for the course included the opportunity for participating teachers to:

1. Explore developmentally appropriate personal finance concepts and principles for middle and high school students;
2. Examine personal finance content standards at both state and national levels;
3. Learn about theory and best practice in teaching personal finance concepts to middle and high school students;
4. Explore and analyze web sites and other technology for use in learning personal finance content and develop a list of technology resources appropriate for teaching personal finance content to middle and high school students;
5. Create instruction that will incorporate technology and will facilitate students’ learning of personal finance concepts;
6. and Reflect on classroom practices.
7. As a final product participants will develop and share an integrated, interactive webliography that can be integrated into their classroom instruction.

The structure of the course itself consisted of six sessions—an orientation session and five content sessions. The sessions were offered online through the Blackboard course

management system. Each session lasted for one week, beginning on a Wednesday and ending on the following Tuesday. During each session, each participating teacher completed an assignment that included readings, activities, and online discussions. Surveys were also required at the beginning and upon completion of the course. The estimated time for completing each weekly session or module was 2-4 hours. The outline for the individual sessions was as follows:

- | | |
|-------------|---|
| Orientation | During the Orientation Session, you will have an opportunity to explore the course website, to experiment with the course tools and to introduce yourself to your facilitator and fellow participants. Orientation takes place during the first week. |
| Session 1 | Financial Responsibility and Decision Making—This session introduces ways that students can apply reliable information and use economic decision making resulting in personal finance decisions. Participants will begin to explore resources for integrating personal finance into their classroom instruction. They will also begin developing a plan that includes resources and how they might integrate them into their own classroom. |
| Session 2 | Income and Careers—This session explores ways that middle and high school students can use a career plan to develop their personal income potential. Lessons presented in this session will explore career options, identify sources of income and examine factors that affect one's income and career. |
| Session 3 | Planning and Management—This session presents ways in which students can organize their personal finances and use a budget to manage cash flow. Ideas and lessons for developing a person financial plan, charitable giving, and systems for keeping and using financial records will be presented. |
| Session 4 | Credit and Debt—This session will explore ways in which one can maintain creditworthiness, borrow at favorable terms, and manage debt. Ideas for presenting the costs and benefits of various types of credit, developing a strong credit history, ways to avoid debt problems, and consumer credit laws will be presented. In addition, lessons that focus on the topic of identity theft will be provided. |
| Session 5 | Saving and Investing—This session presents the case for developing middle and high school students' understanding of saving and investing in terms of implementing a diversified investment strategy that is compatible with personal goals. Participants' personal finance concepts webliography and plans |

for integrating personal finance concepts into their own classrooms should be finalized and final surveys will also be completed.

As a final product, participants created an economics and personal finance webliography. This webliography was a compilation of website resources that were woven throughout the course. The idea was for the participating teachers to leave the course with multiple online resources for their teaching. For each concept listed, the teachers researched and found three resources that could be used to teach the concept. The template included the name of the website, the URL, a description of how the website could be used in the classroom setting, and the personal finance concepts taught.

Each participating teacher completed three surveys—a demographic survey, a course pre/post assessment, and an overall course evaluation. They also conducted pre and post-test assessments with the students in their individual classrooms. The purpose of these assessments was to evaluate the effectiveness of the course in terms of the impact on teacher knowledge and integration of personal finance concepts into classroom teaching. In addition, the goal of the assessment was to evaluate the impact of the teacher participation in the online professional development economics course on their students' knowledge of personal finance concepts.

EVIDENCE OF DOCUMENTED STUDENT ACHIEVEMENT CHANGES

Three thousand, one hundred, twenty-four students from 56 Kentucky middle and secondary classrooms participated in this initial assessment of the *Show Me the Money* online professional development course. The questions on the assessment were questions from the Council on Economic Education's Financial Fitness for Life.

The student data was analyzed using a t-test with a pooled estimate of population standard deviation to determine the significance of the difference between the mean pretest and posttest scores. The t-test was used to determine if the difference in the sample means for knowledge (pretest scores and posttest scores) can be attributed to the influence of the teachers' participation in the *Show Me the Money* online professional development course, or if the difference could have happened by chance. Because the pre- and post-test sample sizes varied, the t-test statistic was computed using a pooled estimate of population standard deviation. This test was used to test the hypothesis that there was no significant difference between the pre- and post-test student means for each question on the instrument.

t-test statistic. The results of the t-test analyses show that the middle and secondary students scored significantly higher on all 25 of the 25 questions related to knowledge of personal finance concepts. In fact, the student scores for all of the questions with the exception of one (question #15) were statistically significant at the 99% level.

EVIDENCE OF TEACHER ATTITUDINAL CHANGES

Each of the 56 participating teachers completed course surveys to evaluate the impact of the course on their attitudes toward and knowledge of economic concepts. In terms of demographic information, the participating teachers all taught in middle and secondary schools throughout the state and included grades five through twelve. In terms of their teaching experience, 8% had taught between one to four years, 34% had taught between five to ten years, 50% had taught between 11-20 years and 8% had taught 21 years or more. Their educational levels included 8% with at least a bachelor's degree, 42% with master's degrees, and 50% with Rank I degrees. (A Rank I degree is a graduate degree consisting of at least 30 graduate credit hours above a master's degree and focused on a particular area of study.)

The course teacher survey instruments included attitudinal and demographic questions. Questions number five through twelve were designed using a bi-polar adjective format which is a variant of the semantic differential test design. These eight questions addressed teacher attitude towards personal finance and attitudes toward personal finance teaching and curriculum materials.

Because the pre- and post-test teacher sample sizes varied, the t-test statistic was computed using a pooled estimate of population standard deviation. This test was used to test the hypothesis that there was no significant difference between the pre- and post-course means for each question on the instrument. The results of the statistical analysis are shown in Table 2.

The results for the attitudinal questions focused on teacher perceptions of personal finance, teachers' perceptions of the availability of materials, curriculum and websites to teach personal finance, and teachers' perceptions of their abilities to teach personal finance. Overall, the t-test statistic indicated that—as a result of the professional development training—teachers felt significantly more confident about their ability to deliver financial education. Specifically, the scores indicate that teachers felt much more confident about the availability, and of their efforts to find personal finance education materials. Additionally, the teachers felt more qualified to teach personal finance curricula, and that they looked forward to teaching a unit on personal finance concepts.

Anecdotal feedback included: 100% of the teachers indicated that they found the discussion board topics to be beneficial; 71% rated the overall quality of the workshop to be excellent with 29% rating it very good; 100% found the webliography to be an effective and usable project; 100% found the content of the workshop to be easily transferable to the classroom; and 94% felt knowledgeable about teaching personal finance in their own classrooms as a result of participating in the course.

Most importantly however, the results of the student assessments indicate that the online professional development course did, in fact, improve middle and secondary students' knowledge of key personal finance concepts—which was the preferred outcome of the course.

Students who understand basic personal finance concepts are more able to make sound everyday financial decisions throughout their lives.

CONCLUSIONS

The use of professional development courses to assist teachers in their instruction of personal finance concepts to middle and secondary students is not a new concept. However, the advent of online instruction has presented a new opportunity for teachers to develop their pedagogical and content knowledge in the content area of personal finance. This study investigated the effects of a six week online professional development course, *Show Me the Money*, targeted specifically to middle and secondary teachers for the purpose of enabling them to increase their students' knowledge and understanding of basic personal finance concepts. Participating teachers completed pre-course and post-course assessment surveys and conducted pretest and posttest assessments of basic personal finance concepts with their students. The results of the initial offering of the online professional development course offer a positive, affirming impact of the course on teachers and most importantly on the content knowledge of their students.

A DEMOGRAPHIC STUDY OF AFRICAN ATTITUDES ON BRIBERY

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ABSTRACT

This paper examines ethical opinion on bribe taking in four African countries – South Africa, Ghana, Ethiopia and Rwanda. Nineteen demographic variables (gender, age, marital status, etc.) are also examined. Although all countries expressed a strong opposition to bribe taking, opposition was stronger in some countries than others. Most of the demographic variables proved to be significant.

Table 22: Summary of Findings

Overall – Ethiopia was significantly more opposed to bribe taking than were any of the other countries in the study; Rwanda was significantly more opposed to bribe taking than were South Africa or Ghana. Those in South Africa and Ghana were equally opposed to bribe taking, and were significantly less opposed than respondents in the other two countries.

Gender – Overall, females were more opposed to bribe taking.

Age – Differences in age were not significant.

Ethnicity – The Ethiopian Oromiya group was the most opposed to bribe taking, followed closely by the Ethiopia Amhara group. The black/other black group was least opposed.

Importance of religion - Those who thought religion was very important were most strongly opposed to bribe taking, while those least opposed thought that religion was not at all important in life. However, the relationship was not strictly linear because those who thought religion was not very important were more opposed to bribe taking than were those who thought religion was rather important.

Religion - Orthodox were most strongly opposed to bribe taking, followed by Protestants, Pentecostals, Roman Catholics, Evangelicals, and the Independent African Church. Muslims were least opposed.

Religiosity – Those who were not religious were most strongly opposed to bribe taking, followed by those who were religious. Atheists were least opposed to bribe taking.

Marital Status – Divorced people were most strongly opposed to bribe taking. Married, separated and widowed tied for second place, followed by single/never married and living together as married.

Education Level - Those with university degrees were most strongly opposed to bribe taking. Those with incomplete secondary education were least opposed. However, the relationship between level of education and attitude toward bribe taking was not linear.

Table 22: Summary of Findings

Employment Status – Housewives were most opposed to bribe taking. Self-employed and retired people tied for second place. Full-time employees, students and the unemployed were in the next group. Part-time employees were least opposed to bribe taking.

Institution of Occupation - Those who worked in public institutions were most strongly opposed to bribe taking, followed by those in private business. Those who worked for private non-profit organizations were least opposed.

Social Class - Those in the working class were most opposed to bribe taking, while those in the lower class were least opposed. Those in the upper class and upper middle class were in the middle.

Income Level - Those in the middle income range were more opposed to bribe taking than those in the other two income groups. Those in the highest income group were least opposed.

Size of Town - Those who lived in towns of 5-10,000 population were most opposed to bribe taking, while those who lived in cities of 2-5,000 or 20-50,000 were least opposed. Although the mean scores were significantly different, there was no clear pattern.

Happiness – Differences were not significant.

Health – Differences were not significant.

Confidence in the Police - The relationship between extent of confidence and mean score is linear. Those who had no confidence at all in the police were most opposed to bribe taking, while those who had a great deal of confidence in the police were least opposed to bribe taking.

Confidence In the Justice System - The relationship between mean score and extent of confidence in the justice system was mostly linear. Those who had no confidence at all in the justice system were most opposed to bribe taking, while those who placed more confidence in the justice system were less opposed to bribe taking.

Confidence in the Government - Those who place no confidence in the government are most opposed to bribe taking, while those with a great deal of confidence in the government are least opposed to bribe taking.

Left-right Political Spectrum – The relationship between mean score and position is linear. Those on the left are most opposed to bribe taking, while those on the right are least opposed.

LEADERSHIP BEHAVIOR AND ITS IMPACT ON STUDENT SUCCESS AND RETENTION IN ONLINE GRADUATE EDUCATION

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ABSTRACT

Student attrition, although some to be expected, comes at a high cost. Failure to complete studies is recognized as a personal loss for the individual, an economic loss for the universities, and an intellectual loss for society. While extensive research efforts have been used to develop and improve theoretical models of student retention or persistence, a concern of many administrators remains the ability to predict as early as possible the likelihood of a student dropping out of school. Following these recommendations, this present study employed the analysis of secondary and program specific data to examine the predictive impact of student characteristics on persistence in an online doctoral leadership program. This research examined individual differences that exist in the leadership development of doctoral students that would contribute to and predict success and persistence in leadership development programs. The study has used a logistic regression to test whether critical thinking, leadership effective behavior, Master's GPA, gender, application summary score, and psychological type are positively related with academic retention/completion amongst doctoral students enrolled in an asynchronous-distance program in leadership studies. Findings emphasize the importance of behavioral characteristics, such as effective leadership and psychological type, in regard to persistence. LPI-Modeling the Way emerged as a significant predictor for retention and persistence in the online doctoral leadership studies program, a finding that - to this date - did not surface in any other research pertaining to retention or persistence. As such, this article focuses on the impact of effective leadership behavior in general and Modeling the Way in particular and why it is, indeed, a significant factor in student success and retention

THE IMPACT OF PERCEIVED PERFORMANCE, INNATE ATTITUDES AND INDIVIDUALISM- COLLECTIVISM ON STUDENT PREFERENCE FOR GROUP WORK

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ABSTRACT

Colleges and schools of business have witnessed an increased popularity in group projects and team assignments. Today group work and team assignments almost seem ubiquitous in enhancing student learning within the marketing curriculum. While group projects provide many conventional benefits such as improved oral and written communication skills and enhanced interpersonal and technical skills (Williams, Beard and Rymer, 1991), group projects also provide students with an opportunity to see an assignment from multiple perspectives, thus providing better understanding of diversity of thought and enhanced understanding and retention of concepts (Goodsell et al., 1992). Additionally group projects have been found to provide students with exposure to complex situations modeling those they are likely to face after graduation (Goretosky, 1984); and provide better understanding of how industry's use of team assignments and team work provides both a support system and shared ownership of decisions made and outcomes (Alie et al., 1998). While group projects are extensively used to augment student learning in many marketing courses and while positive benefits are extensively cited, the use of this pedagogy has not proven to be a panacea. Some students perceive group projects to be a major strength of a class, while others view the very same assignments as detracting from their educational experience. Student criticism of group work includes such things as free riding/social loafing group members, inadequate rewards for work performed, attitude problems among some group members, transaction costs in terms of time expenditures, unequal participation (McCorkle et al., 1999), and diversity of preference between group work and individual assignments.

Why is it that some students perceive team projects as an enhancement to their educational experience while others, in the same class with the same instructor and working in the same group, view them as a distraction? What effect do innate student personalities and individual attitudes such as self-reliance; shared responsibility and group ownership; social loafing; importance of success; and individualism/collectivism have on a student's preference for group projects? What is the impact of various behavioral elements such as GPA, group overall productivity and group size on the group project experience? This paper provides results

from a study which examined these questions and developed and tested a model that provides a means of explaining a student's degree of liking and preference for group projects. A structural modeling approach was employed to examine the direct and indirect effects of students' personalities, attitudes and behaviors on preference for group work. The findings from this study show that a student's preference for group work is a result of a combination of predetermined attitudes, personality characteristics and behavioral elements.

The results of this study suggest that students' preferences for group work is directly affected by their perception of overall group productivity and performance. An individual student's perception is his or her own reality; thus students who believe they are in a productive and effectively performing group will view the entire group experience in a more positive light. This positive experience has a carryover effect on perception of group work in general and helps the student to begin the next team experience with favorable expectations rather than dread. Instructors must assist students in enhancing perceptions of the group's overall performance and productivity. One method for achieving this is by incorporating regularly scheduled deliverables into semester-long group projects. Dividing the project into manageable pieces allows the student teams to have increased feedback resulting in a greater sense of control.

A student's innate individualistic-collectivistic tendencies were also found to impact preference for group work. It is clear from the results, students who have an innate collective orientation and seek the benefit of the group rather than personal aspirations have an increased preference for group work. The challenge for an instructor is creating the optimal composition of each group comprising students with a blend of those possessing individualistic and collectivistic personalities. Simply creating randomly selected groups of students may result in completely dysfunctional teams with too many "lone wolves" (Barr, Dixon and Gassenheimer, 2005) i.e., individuals who are unwilling to build consensus, thus wasting valuable time on asserting individual opinions and one-upmanship. Additionally, faculty should put in place mechanisms that force team members to regularly evaluate each other. When students take on a sense of shared responsibility and can identify each member's individual contributions, they are less likely to engage in social loafing and more likely to espouse feelings of connection with their fellow group members.

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A LONGITUDINAL STUDY OF FRENCH ATTITUDES ON ACCEPTING BRIBES

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ABSTRACT

This study examines French views on the ethics of bribe taking. The World Values data from the oldest and most recent wave of surveys were used, which span a generation (1981 to 2006). Several key demographic variables were also examined for each wave to determine whether there were any significant differences. The study found that there were several significant differences in the demographic variables, and also that opposition to bribe taking has increased over time.

Table 9: Summary of Findings

Overall – The French were significantly less averse to bribery in 1981 than they have been since then.

Gender - In both 1981 and 2006, men were less opposed to bribery than were women, and in both cases, men and women became more opposed to bribery over time.

Age - In all three age categories, opposition to bribery increased with age. Also in all three age categories, opposition to bribery for each age category increased between 1981 and 2006.

Marital Status - In both 1981 and 2006, married individuals were most opposed to bribery and single individuals were least opposed. A comparison of mean scores for 1981 and 2006 for each category found that all three categories became more opposed to bribery over time.

Employment Status - For the 1981 study, those most opposed to bribery was the *Other* category, which consisted of retired, housewives, students, unemployed and others. The *Other* category could also be labeled *Not in Workforce*. Part-time workers were least opposed to bribery. For the 2006 study, part-time workers were most opposed to bribery, while self-employed individuals were least opposed.

Happiness - For the 1981 study, the group most opposed to bribery was the *not at all happy* group, and those least opposed was the *quite happy* group. For the 2006 study, the group most opposed to bribery was the *very happy* group, while the *not very happy* group was least opposed. Over time, the *very happy* and *quite happy* groups became more opposed to bribery, whereas the *not very happy* and *not at all happy* groups became less opposed.

Health – For both years under study, those in poor health were the most opposed to bribery, and those in very good health were least opposed. The relationship between mean score and category were linear for both studies. In both studies, opposition to bribery declined as the health category increased.

Religion – None of the differences in mean scores were significant for either year under study. The three religions included in the study were Roman Catholic, Protestant and Muslim.

ACHIEVING INTER-INSTITUTIONAL COOPERATION THROUGH MULTI-INSTITUTION ENTERPRISE WIDE INFORMATION SYSTEMS: THE CASE OF TEXAS ASSOCIATION OF DEVELOPING COLLEGES

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ABSTRACT

The Texas Association of Developing Colleges (TADC) based in Dallas, Texas is a consortium cooperation made of five (5) member private Texas Historically Black Colleges and Universities (HBCU) institutions. The TADC member institutions have similar objectives and goals. Cooperation and collaboration amongst these institutions will enhance the achievement of each institution's goals. Cooperation has been in the areas of Teacher Education preparation, distance learning, faculty and staff development and student services and leadership. The use of a common enterprise wide information systems (EWIS) across member institutions, holds the promise of achieving and enhancing cooperation among member institutions. This study explores the adoption and implementation of an EWIS in the TADC institutions and campuses.

A LOOK INTO THE COEXISTENCE OF PACIFISM AND MILITARY PRESENCE ON COLLEGE CAMPUSES

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ABSTRACT

This study is an attempt to measure if the level of pacifism felt by students was influenced by their knowledge of the military. The study was, originally, designed with the ROTC (Reserve Officer Training Corp) program in mind due to controversy of the program being brought to the campus six years prior. The study was expanded to military, in general, to reach a larger population. Survey instruments, which included the Moral Disengagement (MD) scale (McAlister, 2001), which measured support for military action and the Military Awareness Questionnaire (MAQ), which was constructed by the administrators, were completed by 139 students. Out of the 136 participants, 27.2% were males, 71.3% were females, and 1.5% did not specify gender. 132 participants were between the ages of 18-21, and four participants were between the ages of 22-28. Of all the participants, 74% were freshman, 18% were sophomores, 5% were juniors, and 3% were seniors. 32% participants reported having a loved one in the military, while 68% did not. The total mean score of the MD scale is 35.85 (SD= 7.83) and the total mean score for the MAQ is 5.08 (SD= 1.73). There was a negative significant correlation between the MD scores and MAQ, $r(134) = -.165, p < .05$. We see a significant difference between mean scores for males and females for both the MD and MAQ, but no significant difference between those who have loved ones in the military and those who don't. A limitation to our study is found in our awareness questionnaire. This study is original in the sense that it evaluates pacifism of the military on college campus, correlating it with campus views on Reserve Officer Training Corps. What made the study more unique was that it was done on a Christian college campus. The results were analyzed to detect the significance that correlated with their worldview. The study contributed to Management in regards to the Moral Disengagement scale and Military Awareness Questionnaire. By collecting data from a group of students that rub shoulders with ROTC members every day, we were able to gain a targeted knowledge of their feelings towards the military.

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THE ETHICS OF ACCEPTING A BRIBE: A COMPARATIVE STUDY OF OPINION IN THE USA, CANADA AND MEXICO

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ABSTRACT

This study compares the views on bribe taking of sample populations in the USA, Canada and Mexico. More than a dozen demographic variables are also examined to determine whether differences exist between or among subgroups. The survey found that most demographic variables showed significant differences in mean scores. Data used for the surveys came from the World Values surveys.

Table 22: Summary of Findings

SIGNIFICANT VARIABLES

Overall - Canadians are slightly more opposed to bribery than are Americans and that Mexicans are far less opposed to bribery than are either of the other two countries. A super majority in each country believed that accepting a bribe in the course of one's duties is never justifiable.

Age - the oldest age group is most opposed to bribery, while the youngest age group is least opposed.

Ethnicity - Blacks and whites were most opposed, followed by East Asians and Hispanics. Coloured were least opposed.

Importance of religion in life - The group most opposed to bribery was the group where religion was not at all important. The other three categories had identical mean scores.

Religion - Muslims and Orthodox were most opposed to bribery, while Jehovah Witnesses and Evangelical Christians were least opposed.

Marital status - Divorced individuals were most opposed to bribery, followed closely by married and widowed individuals. Those who were never married or living together as married were least opposed.

Education level - The trend tends to be that those with the highest level of education were most strongly opposed to bribery.

Employment status - Retired people tended to be most opposed to bribery, followed by full-time and part-time employees. Housewives and the unemployed were least opposed to bribery.

Institution of occupation - Those who worked at public and private institutions were equally opposed to bribery. Those who worked for non-profit institutions were only slightly less opposed. Self-employed

Table 22: Summary of Findings

individuals were significantly least opposed.

Social class - The upper middle class was most opposed to bribery; the upper class was least opposed.

Income - Those in the highest income category were most opposed to bribery, while those in the lowest income category were least opposed.

Size of town - Mean scores did not differ much, with the exception of people who lived in towns with a population of 2,000-5,000, which was significantly less opposed to bribe taking.

Happiness – Those who were not very happy were significantly less opposed to bribe taking than were other groups.

Health - Those in very good or good health were most opposed, while those in fair health were least opposed.

Confidence in the police - Opposition toward bribery dissipates as confidence in the police declines.

Confidence in the justice system - Those who were most opposed to bribery tended to have the most confidence in the justice system, while those least opposed tended to have the least confidence in the justice system.

Confidence in the government - The two middle groups showed the strongest opposition to bribery, while the two polar positions showed the least opposition.

Left-right political spectrum - Those in the center tended to be somewhat more opposed to bribery than the other two groups. Those on the right tended to be least opposed to bribery.

NOT SIGNIFICANT VARIABLES

Gender

Religiosity

UNDERLYING DIMENSIONS OF PERCEIVED PERFORMANCE IMPROVEMENT AS A RESULT OF ATTENDING MANAGERIAL SALES TRAINING PROGRAMS IN MALAYSIA: AN EMERGING MARKET PERSPECTIVE

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ABSTRACT

This study examined the underlying dimensions of perceived sales managers' performance improvement as a result of attending managerial sales training in Malaysia. Surveys were distributed to 310 sales managers and 121 surveys were completed yielding a response rate of 39 percent. An overview of the findings revealed that sales managers reported to have experienced significant performance improvement from such important areas as: achieving sales objectives, providing information, and making effective sales presentation, as a result of attending managerial sales training offered by their firms' training center. Moreover, the results indicate that the results do not change based on the firms' characteristics - whether they are classified as low-tech or high-tech sales training; low budget or high budget sales training; consumer goods or industrial goods; or domestic or multinational.

Keywords: Managerial Sales Training, Large Companies, Consumer and Industrial Goods Industry, Low Budget Sales Training, High Tech Sales Training, Multinational, Malaysia

BOUNTY HUNTING OR BRICOLAGE? ALTERNATIVES FOR EMPLOYERS DURING A RECESSION

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ABSTRACT

Because of continued reduced employment in the U.S. economy, remaining employees tend to be overloaded, underpaid, and depressed. The reduction in well-being affects concentration and absenteeism, among other outcomes. In order to manage costs and productivity further, employers are considering a range of alternatives from additional surveillance (bounty hunting) to improvisation based on the intellectual capital at hand (bricolage). The purpose of this paper is to discuss recession-based trends in employee overload, outcomes, and managerial tactics.

INTRODUCTION

In the aftermath of significant financial losses due to the economic recession that began in 2008, many organizations have cut costs by reductions in work force, freezes in hiring and compensation, and reductions in employees' time base. In consequence, those who retain a job may be underemployed but overwhelmed by increased workload due to performing the duties of multiple job descriptions (Love, Tate, & Chapman, 2010), more pressure, tighter deadlines, and frequent interruptions. Overworked and stressed, many employees experience fatigue, more errors, and negative emotions toward employers and coworkers (Avery, et. al., 2010). They perceive little control over their work lives and, even worse, little hope that quality of work life will improve in the near future (Alsop, 2010).

Despite continued high un- and under-employment, the number of U.S. workers voluntarily leaving their jobs is at the highest level in nearly three years. The two primary reasons behind the eagerness to change employers are working conditions (work overload with perceived under-appreciation) combined with stagnant compensation (Twedt, 2011). The combination of overload with feeling underpaid creates a particularly acute sense of inequity. Longer hours, outsourcing, the threat of layoffs and a shrinking economy have also contributed to increased stress and depression in the workplace (Paton, 2008). In turn, reduced employee well-being affects concentration, creativity, productivity and absenteeism. This paper will

discuss the impact of reduced employee well-being in more detail as well as tactics intended to improve workplaces during a recession.

REDUCED WELL-BEING

Stress at work occurs when demands exceed resources for responding. A reduced work force fosters work environments in which demands exceed the available capacity, resulting in heavy workload, unrealistic job expectations, and long hours (Ferri-Reed, 2011). Chronic stress produces symptoms of depressed mood, agitation, reduced concentration, increased difficulty with making decisions and may lead to burnout (Schaufeli, Leiter, & Maslach, 2009). Coping behaviors may include increased use of alcohol and stimulants. From cognitive and emotional symptoms, physical symptoms develop including headaches, gastrointestinal disorders, and sleep loss. As fatigue and psychosomatic illness increase, employees are predictably less productive and more likely to be absent from work (Overman, 2010).

According to a recent survey, 90 per cent of American workers report feeling stressed at least once per week, and 40 percent describe their jobs as very stressful most of the time. In fact, half of all American workers report that stress has adversely affected their health. The effects of insurmountable stress yield injury for individuals and expense for organizations (Prater & Smith, 2011).

Related to stress is depression, now reported by nearly 10 percent of U.S. adults (Hawkins, 2011). Symptoms of depression include a persistently sad, anxious or empty mood; feelings of hopelessness or pessimism; eating disturbances; decreased energy; fatigue; irritability, and thoughts of death or suicide. A recent survey found depression was significantly higher among Americans ages 15 to 44, with adults 40-59 experiencing the most depression. The cost of this phenomenon in the U.S. runs \$83 billion for one year, with nearly two-thirds of the cost accounted for by lower productivity and increased absenteeism (Prater & Smith, 2011).

ORGANIZATIONAL OUTCOMES

As results of stress and depression, employees tend to be unavailable for work, both physically (absenteeism) and cognitively (presenteeism). As expensive as absenteeism is, the annual costs of presenteeism at \$180 billion surpass them (Prater & Smith, 2011).

Presenteeism refers to employees being present for work with reduced well-being, often resulting in reduced productivity (Paton, 2008) and increased likelihood of conflicts and reduced cooperation with co-workers and managers. An example of a recession-based cluster of issues for employees includes financial debts, risk of losing the home, related relationship difficulties with family members, and increased alcohol use. Preoccupation with such worries or fear of

appearing redundant at work may lead to an employee being present but unable to function normally (Hart, et. al., 2011).

Absenteeism may range from short-term absence (Sawicki, 2011) due to brief illness or need for a “mental health day” to an extended period of time away from work due to chronic illness or a catastrophic medical event. The impact is predictably reduced capacity (Hart, et. al., 2011), lost revenue (Seward, 2010) and higher indirect costs from lower productivity and impact on co-workers (Prater & Smith, 2011).

MANAGERIAL TACTICS

Whether in the aftermath of a recession or not, organizations employ a continuum of tactics for improving organizational functioning in response to challenges with employee well-being. While some organizations and managers focus on measurement, accountability and control, others emphasize mechanisms for increasing engagement that foster concentration and creativity.

One example of a recent addition to surveillance tactics available for controlling the costs of absenteeism is *bounty hunting*. This tactic consists of hiring a firm to investigate employees who have called in sick when there is suspicion that the employees are being dishonest about their use of paid time off. In other words, “bounty hunters” are dispatched to spy in bowling alleys, professional sports games, weddings, and even funerals. For example, four firefighters were suspended in 2009 after a private investigator caught them attending hockey games (Spitznagel, 2010). Using private investigators to attempt greater control of paid time off has developed because of increasing abuse. One recent study found that 57 percent of U.S. salaried employees take sick days when they are not really sick, a nearly 20 percent increase from statistics gathered between 2006 and 2008 (Spitznagel, 2010).

If the questionable use of paid time off is grounded in reduced well-being from the overload and compensation stagnation common in the current recession, however, employers need to reflect on the direct and indirect costs of relying exclusively on increased control. The likely impact of bounty hunting is to reduce employee morale and trust even further, engendering a vicious cycle with employees who otherwise might have held the potential to help the organization innovate its way to better revenues and market share as the economy improves. Indeed, recent research shows that among the least satisfied and engaged employees, the annual cost per employee for lost productivity due to sick days is more than \$28,000, versus only \$840 among the happiest and most engaged employees (Singer, 2011).

A more moderate approach to control includes a tracking system for absence with trigger points to alert managers to a potential problem (Sawicki, 2011), while a preventative approach includes alternatives such as an EAP and direct attention on resiliency and wellness (Hart, et al., 2011; Seidl, 2009; Singer, 2011; Tynan, 2011). The tactic with higher likelihood to foster employee engagement, energy and capacity, however, borrows from the arts and entrepreneurial

ventures: *bricolage*. Artists and entrepreneurs often operate in resource-poor environments and yet must innovate and create results. Bricolage is the practice of using or recombining what's at hand for new purposes beyond institutional definitions and limits (Baker & Nelson, 2005).

In the case of human capital, bricolage refers to encouraging creative ways to streamline processes as well as experimenting with new ways to serve customers or improve organizational offerings. Allowing employees to make the most of the knowledge and skills available after reductions in work force is likely to improve engagement and energy, reduce absenteeism and presenteeism, and increase positive results. Bricolage has been associated with enhanced service innovation and competitive advantage (Salunke, Weerawardena, & McColl-Kennedy, 2012). Common methods to enhance creativity, ownership, and process reengineering include Nominal Group Technique, process analysis, and appreciative inquiry (Mishra & Bhatnagar, 2012). The essence of bricolage with human capital, though, is for employees to creatively recombine work based on the mix of talent and skills at hand; this is what evokes engagement. Low-cost incentives for innovations could further reduce perceived inequity due to stagnant compensation.

CONCLUSION

To emerge intact and even stronger when the global economy recovers more fully, organizations must do more than simply track, control, and punish common responses to work overload and stagnant compensation. Using low-cost means to foster employee resiliency is likely to improve the need to use paid time for stress-related absence or presenteeism. Beyond resilience is engagement as a means for both individuals and organizations to benefit from challenging circumstances. Bricolage, the practice and art of combining the resources at hand in new ways, offers a bridge to eliciting the engaged best from employees and yielding enhanced business results for employers.

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THE TRANSFER OF MILITARY CULTURE TO PRIVATE SECTOR ORGANIZATIONS: A SENSE OF DUTY EMERGES

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ABSTRACT

As a government institution, the United States (US) Department of Defense (DOD) wields powerful influence on private sector organizations in the defense industry beyond the implications of public policy. In our conceptual research, we study the DOD as a key customer stakeholder in these organizations and investigate the influence of its military culture on these private sector organizations. By analyzing the culture of the DOD, we uncover a new dimension, sense of duty, not previously studied in mainstream organization literature. We propose that this dimension transfers from the DOD to its private sector suppliers in the defense industry via interorganizational relationships, characterized by type, strength and tenure. Finally, we review the implications of culture transference for both entities and discuss generalizability of findings beyond the setting of this study.

Keywords: organizational culture; stakeholder, interorganizational relationships; Department of Defense; Government; military

PERFORMANCE, GOVERNANCE AND STRATEGY CASES FROM MEXICO

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ABSTRACT

During the last two decades Mexico Stock Exchange has been struggle to increase the number of IPO's into the Mexico Stock Exchange, even after the updated regulation in 2001 and 2006, and new normative and globalization process, the MSE has been declined and downsized over the last two decades, we describe how fifteen different companies from different industries, sizes and performance can varies the way they use the Investors Resources, Information Transparency and face the competition, our findings can suggest that can be a relationship between how the local players, competition and the way companies define their strategies, ownership structure and local authorities can interact in this process, specifically using Case Study methodology we explored how local companies uses different ways to compete, how can access new capital, how they compete with overseas companies and how the administrators deal between ownership, new capital and market competition. We explore several questions and links related to capital structure, ownership structure, management, performance and strategy.

Key Words: Regulation, Corporate Governance, Financial Leveraged.

THE ETHICAL PERCEPTIONS OF BRIBE TAKING IN FOUR MUSLIM COUNTRIES

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ABSTRACT

This study examined attitudes toward bribe taking in four Muslim countries – Indonesia, Egypt, Iran and Iraq. Eighteen demographic variables were also examined (gender, age, marital status, etc.), and it was found that most mean scores between groups were significant.

Table 21: Summary of Findings

Overall – All countries were strongly opposed to bribery. However, some were more opposed than others. Iraq was most strongly opposed. Indonesia and Egypt were tied for second place, with Iran showing the least opposition to bribery.

Gender – In the aggregate, men and women were equally opposed to bribe taking. Iraqi males were most opposed to bribery, followed by Iraqi females. Iranian males and females were least opposed to bribery.

Age – The older the people are, the stronger is their opposition to bribe taking.

Ethnicity - Central Asian (Arabic) participants were most opposed to bribery, followed by Javanese and Kurd/Esid. Those least opposed were three Iranian ethnic groups.

Importance of Religion - those for whom religion is most important were more opposed to bribery than those who do not view religion as important.

Religiosity - Those who were not religious were significantly less opposed to bribery than were those in the other two groups.

Marital Status - Widows were most opposed to bribery, followed by those living together as married and divorced, married, single/never married and separated.

Education Level - There seems to be no clear pattern. Those with no formal education and those with a university education tied for being most opposed to bribery, which might make the relationship appear to be curvilinear. However, the other rankings do not support this conclusion.

Employment Status - Full-time employees, retired and *other* were most strongly opposed to bribery. Those who were unemployed were least opposed. Part-timers and the self-employed were only slightly less opposed.

Institution of Occupation - Those who worked at public institutions tended to be most opposed to bribery, while those at private nonprofit institutions tended to be least opposed.

Social Class - Those in the working class were most opposed to bribery, while those in the upper class were

Table 21: Summary of Findings

least opposed. The relationship was mostly linear.

Income Level - Those in the low and middle income categories had identical mean scores, while those in the high income group had the highest mean score, indicating the least opposition to bribery.

Size of Town - From the distribution, it was difficult to conclude that the relationship was linear because the results were scattered, although one might say that those who lived in larger cities tended to be less opposed to bribery than were other groups.

Happiness - Those who were not at all happy were most strongly opposed to bribery, while those who were very happy were least opposed.

Health – Those in poor health tended to be most opposed to bribery, whereas those in the other three categories tended to be equally and less opposed to bribery. However, the differences in mean scores were not significant.

Confidence in the Police - Three of the four categories had identical mean scores for this variable. Those who placed no confidence at all in the police tended to be least opposed to bribery. However, the differences in mean score were not significant.

Confidence in the Justice System - three of the four categories had identical means, whereas the category of *none at all* had the highest mean score, indicating the least amount of confidence. However, the differences in mean score were not significant.

Confidence in the Government - Those who had a great deal of confidence in the government tended to have the strongest opposition to bribery, whereas those with not very much confidence in the government had the least opposition to bribery. The relationship was not totally linear, however, because those who had no confidence at all in the government were somewhat more strongly opposed to bribery than were those who fell into the *not very much* category.

Left-right Political Spectrum - those on the right and those on the left had identical mean scores, and were most opposed to bribery, whereas those in the center were least opposed. Thus, the distribution is curvilinear.

ETHICAL ATTITUDES TOWARD TAKING A BRIBE: A STUDY OF FOUR EUROPEAN COUNTRIES

Teresa Hernandez, Florida International University
Robert W. McGee, Fayetteville State University

ABSTRACT

This study examined attitudes on the ethics of bribe taking in four European countries – France, Great Britain, Italy and Germany. Nineteen demographic variables (gender, age, marital status, etc.) were also examined, and most mean scores were found to be significantly different. Although most people thought taking a bribe was unethical, there was some divergence of opinion.

Table 22: Summary of Findings

Overall – Although the people in all four countries were opposed to bribery, those in some countries were more opposed than others. Italians were most opposed to bribery, followed by the British and Germans. The French were least opposed to bribery.

Gender – Overall, females were significantly more opposed to bribery than were males.

Age – The relationship was linear, with the oldest group being most opposed and the youngest group being least opposed.

Ethnicity – Caucasians were most opposed to bribery, followed by South Asians (Indian, Hindu, Pakistani, Bangladeshi), blacks, East Asians (Chinese, Japanese) and Central Asians (Arabic).

Importance of religion - The relationship is linear. The more important religion is, the stronger the opposition to bribery.

Religion - Those in the *Other* category were most strongly opposed to bribery, while Christians were least opposed. Anglicans and Orthodox were equally opposed, in second place, while Roman Catholics and Evangelicals tied for fifth place, followed by Muslims. The reason several Christian groups are listed in addition to the generic Christians is because the surveys in some countries were more specific than were the surveys in other countries.

Religiosity - Those who categorized themselves as religious were most opposed to bribery, whereas those who were not religious were least opposed. Atheists fell in the middle.

Marital Status – Widows were most strongly opposed to tax evasion. Married and separated tied for second place, followed by divorced, single/never married and living together as married.

Education Level - Those with university degrees were most opposed to bribery, while those with incomplete secondary school educations were least opposed. However, if one looks at the rankings between the two polar positions, it can be seen that the relationship is not strictly linear.

Table 22: Summary of Findings

Employment Status – Retired people were most opposed to bribe taking, followed by part-time employees and housewives, which tied for second place. Self-employed people ranked fourth. Full-time and *other* tied for fifth place. Students and the unemployed tied for seventh place, and were least opposed to bribe taking.

Institution of Occupation - Those who work at public institutions were more opposed to bribery than were those who worked in the private sector. Those who worked in private business were least opposed to bribery.

Social Class - the various classes had basically the same opinion regarding the ethics of bribery. Class was not a significant variable.

Income Level - Those with high income were most opposed to bribery, while those with low income were least opposed. The relationship was linear.

Size of Town - There seemed to be no clear pattern. The second smallest and second largest size towns had identical mean scores (1.6), as did the smallest and largest towns (1.9).

Happiness - There was not much difference among the mean scores, but the ranking seems to be mostly linear. Those who were either very happy or quite happy were most opposed to bribery, while those in the two least happy groups were least opposed to bribery. Differences were significant at the 10 percent level.

Health – Those in poor health were most opposed to bribery, while those in very good health were least opposed. Those in good or fair health were in between, and had identical mean scores.

Confidence in the Police - The relationship is linear. Those who place a great deal of confidence in the police are most opposed to bribery, whereas those who place no confidence at all in the police are least opposed.

Confidence In the Justice System - The relationship is linear. Those who place the most confidence in the justice system were most opposed to bribery, whereas those with no confidence at all in the justice system were least opposed.

Confidence in the Government - The relationship is basically linear, with those who place a lot or a great deal of confidence in the government being more opposed to bribery than those who place little or no confidence in the government.

Left-right Political Spectrum – This variable was not significant.

STRATEGIC KNOWLEDGE WORKER PRODUCTIVITY AND LEISURE TIME

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ABSTRACT

Currently, technology and increasing demand on productivity of companies are slowly diminishing worker leisure time. Is it possible that a turn in the other direction, by increasing leisure time could increase an individual worker's productivity? Using assessment for an individual's leisure time and categorizing different types of leisure time and correlating it to the individual knowledge worker's productivity using a developed analysis called "the knowledge worker productivity assessment", this study empirically examines the relationship between amounts and types of leisure time and productivity levels in a variety of areas. The results of the analysis identify where diminishing return in leisure time occurs, and have large implications on businesses regarding what the optimal level of leisure time is in regards to productivity. This data could cause businesses to rethink their strategies of keeping workers productive and how the hours that are logged by knowledge workers add to or detract from the bottom line.

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ATTITUDES TOWARD BRIBERY IN AUSTRALIA: A DEMOGRAPHIC STUDY

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ABSTRACT

This study examined Australian attitudes toward bribe taking, using the data from the World Values survey. Nineteen demographic variables (gender, age, marital status, etc.) were also examined to determine whether certain responses differed by category. The findings indicate that many of the demographic variables did have a high level of significance.

Table 20: Summary of Findings

Overall – Opposition to bribe taking was strong.

Gender – Females were significantly more opposed to bribe taking than men.

Age – The relationship between age and attitude toward bribe taking was linear. The older the age group, the more opposition there was to bribe taking.

Ethnicity – The group most opposed to bribe taking was the English-speaking Australian group, followed by Europeans, Aboriginal Australians, South Asians (Indian, Hindu, Pakistani, Bangladeshi), Central Asians (Arabic) and East Asians (Chinese, Japanese).

Importance of religion – The differences of opinion between groups were not significant.

Religion - Hindus were most opposed to bribe taking, followed by Protestants, Christians, Roman Catholics, Orthodox, Jews and Buddhists.

Religiosity - Those who considered themselves to be religious were most strongly opposed to bribe taking, followed by nonreligious people and atheists.

Marital Status – Married and widowed people were most opposed to bribe taking, followed by divorced, separated, living together as married and single/never married people.

Education Level – Education was not a significant variable.

Employment Status – Retired people were most strongly opposed to bribe taking, followed by housewives, the self-employed, students, full-time and part-time employees and unemployed.

Institution of Occupation – was not a significant variable.

Social Class - Those in the lower class were significantly less opposed to bribe taking than were the other groups.

Table 20: Summary of Findings

Income Level - Those in the middle income range were most opposed to bribe taking, followed by those in the high income group. The group least opposed to bribe taking was the low income group. However, the results were significant only at the 11 percent level.

Size of Town – was not a significant variable.

Happiness - Those who were not at all happy were significantly less opposed to bribe taking than were those in the other three groups.

Health – was not a significant variable.

Confidence in the Police - Those who placed confidence in the police were more opposed to bribe taking than were those who did not place confidence in the police. The difference was significant at the 10 percent level

Confidence In the Justice System - The results were mixed. Those who placed no confidence at all in the justice system were most opposed to bribe taking. Those who placed quite a lot and not very much confidence in the justice system tied for second place in the ranking. Those who placed a great deal of confidence in the justice system were least opposed to bribe taking.

Confidence in the Government – was not a significant variable.

Left-right Political Spectrum – was not a significant variable.

THE AOM/MARK DAVID MERGER CASE: A STRATEGIC ACTION-BASED FLOWCHART

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ABSTRACT

We recently applied a flowchart approach in a consulting project for a global company. It worked very well as a gestalt for both executive and middle managers alike by overcoming the limitations imposed by other strategic planning methods. Business strategy implementation was greatly enhanced by creating a Strategic Action-Based Flowchart of activities that clearly revealed important relationships among between marketing and operations.

THE SITUATION

Our client was a furniture manufacturer's CEO/owner with about \$30 million in sales revenue. The firm had recently acquired a larger furniture manufacturer with \$130 million in sales. The CEO had to quickly merge the combined organizations and successfully focus both executive and middle management on implementing his strategic business plan. In addition, the CEO needed to address commercial lender and venture capitalist concerns regarding the new firm's ability to repay the debts.

The combined firm had operations in China, Vietnam, the Phillipines, Italy, and the United States. The sales force numbered in the hundreds and most furniture contracts were in the \$4 million dollar range. Furniture was custom built for the lodging industry for high quality hotels around the world.

FIRST CLIENT INTERACTION: PROBLEM IDENTIFIED

During our first encounter with the CEO, it was soon discovered that the issue was not one of helping the client develop a complete strategy. Instead, the CEO really needed a mechanism to communicate his strategy such that his entire organization could understand his strategy and grasp how to implement it.

SUBSEQUENT CLIENT INTERACTIONS: CHALLENGES UNDERSTOOD

As the process evolved, it became clear that existing strategy models are developed from the standpoint of a functional area, and were not able to be used to communicate the CEO's

strategy in the most effective manner. The development of a strategic marketing plan and a strategic operations plan are necessary and, of course, worthwhile for middle management. Yet, these plans are typically developed in detail by functional areas that may not capture the overall strategic aim of the firm. The balanced scorecard approach, which is more of a 360° approach for developing strategy, worked well for the CEO. However, the balanced scorecard was unable to succinctly communicate to middle managers and junior executives the importance of “interaction effects” that exist when multiple action strategies are being employed across the organization. The idea of developing a business model, showing various cost, asset and revenue drivers, was discussed and initiated. However, in early stages of developing the model, it became clear that, while rich in detail, the final model would be too cumbersome and complex to succinctly communicate the CEO’s strategic plan to anyone outside the top executive team. The richness of detail in the traditional business model approach was sacrificed to gain greater communication clarity.

At this point, we began to refer to a variety of notes and whiteboard diagrams that had been accumulating throughout this two-week engagement. It became clear that a simple flowchart methodology would allow everyone in the organization to better understand the key actions to be implemented.

FINAL CLIENT INTERACTION: THE STRATEGIC ACTION-BASED FLOWCHART

We presented the Strategic Action-Based Flowchart, as seen in the Figure, to the CEO. It was the simplest method to communicate his strategic implementation to all stakeholders. As the reader will note, the Strategic Action-Based Flowchart clearly shows a relationship of both marketing and operations actions to the strategic objective (increasing earnings).

The Strategic Action-Based Flowchart approach allows management to tailor the more detailed marketing, sales, and operations plans that were forthcoming in a manner that recognizes the “interaction effects” between functional areas more clearly than would have been the case without the flowchart as a reference point. This was very important, particularly in light of the recent merger.

The Strategic Action-Based Flowchart approach also permits the organization to develop a comprehensive balanced scorecard that truly measures what drives the strategy. By recognizing key actions, the scorecard metrics will necessarily be reflective of the overall organizational goals. In fact, we were able to initiate the development of metrics for a scorecard based on the Strategic Action-Based Flowchart.

SUMMARY

The Strategic Action-Based Flowchart worked well to “center” the organization. It stimulated strategic thinking from both top and middle management. It helped develop

marketing and operations plans that reflected the CEO's true strategic vision. It provided a sound basis for a metrics system that best monitored strategic implementation.

The Strategic Action-Based Flowchart is not, in and of itself, the only document needed for a successful strategic implementation. However, it proved to be the linchpin that made all the subsequent planning details meaningful throughout the organization.

In retrospect, the firm achieved the earnings target and the Strategic Action-Based Flowchart served its purpose for over three years.

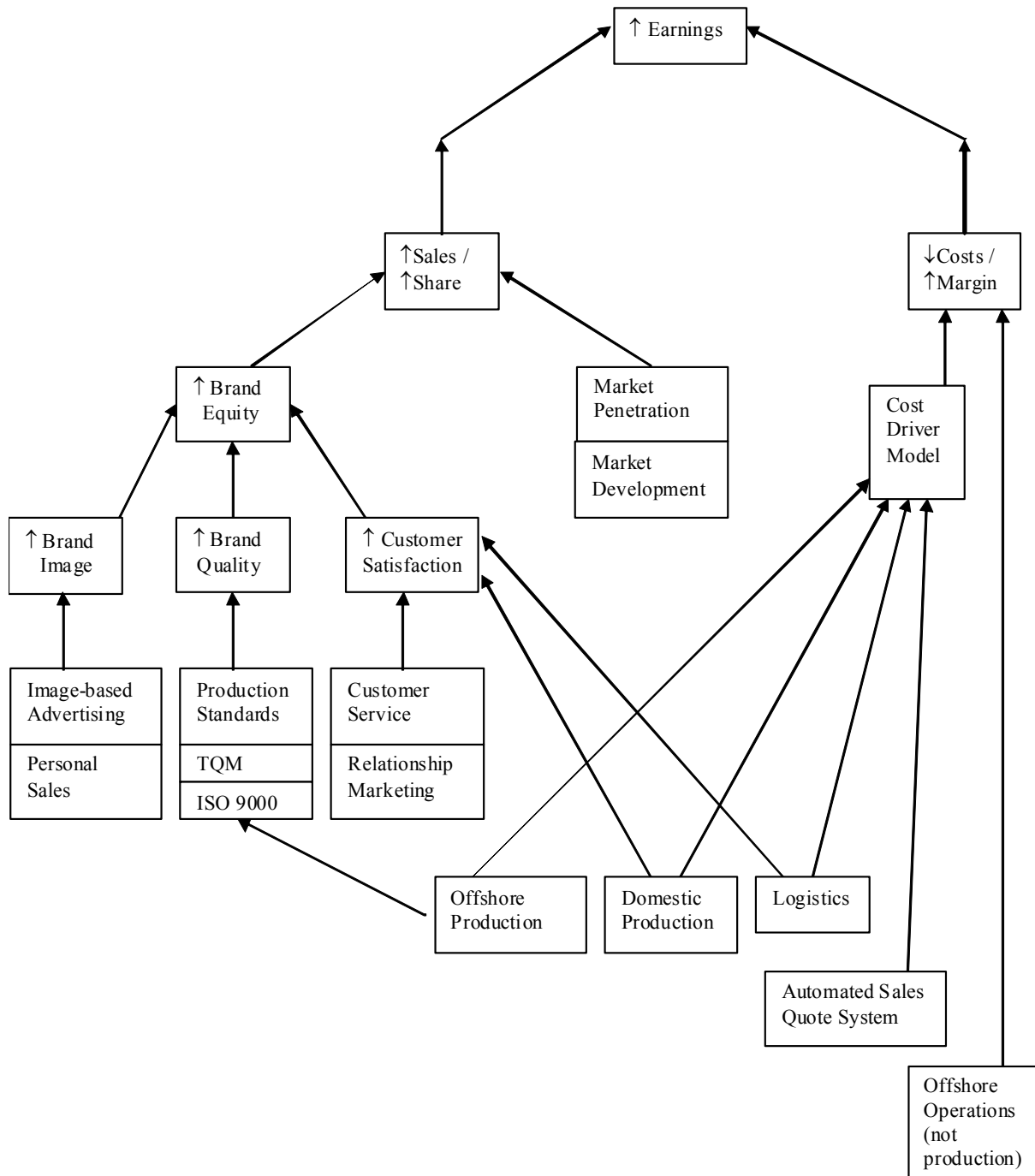


Figure: Strategic Action-Based Flowchart

OLYMPUS IMAGING FRAUD SCANDAL A CASE STUDY

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ABSTRACT

This case examines the recent investigation of Olympus Imaging Corporation and its failure to fully disclose its two-decade long bad financial dealings that resulted in over \$1.7 billion in investment losses. Two concepts are examined: ethical values and cultural differences.

INTRODUCTION

Once again, the world is experiencing a financial scandal; only this scam was in progress and successfully hidden for nearly twenty years dating back to the 1980's. Olympus is a Japanese company that produces cameras and medical imaging equipment. This case is unique since the whistle blower was Olympus' own president and CEO, Michael C. Woodford, hired in September of 2007. (Mintz, 2012) Now the former Board Chairman and 18 other past and present company officials are facing lawsuits and even charges, from both British and Japanese officials. (Kubota, 2012)

FACTS AND TIMELINE OF THE OLYMPUS SCANDAL

In 1980, Toshiro Shimoyama was the president and CEO of Olympus Corporation. Olympus' operating income fell significantly because of the sharp appreciation of the yen. The CEO decided to develop an aggressive financial assets management unit within the Accounting Department headed by Hideo Yamada. This unit was to make speculative investments known as *zaiteku*. From these aggressive asset management activities, handsome profits were produced. In 1987 with Yamada in charge of the speculative investments deal, a man named Hisashi Mori became his subordinate in the investment dealings. In time, Yamada and Mori's dealings propelled them into upper management. Mori became an executive vice president and board director while Yamada became a standing corporate auditor. Ten years passed when the speculative investment activities resulted in substantial losses. Yamada and Mori's investment group doubled and tripled down by investing in high-risk, high-return products, and risky

financial products that offered interest advancement as well as the riskier, complex structured bonds. (McKenna, 2012)

By the late 1990's, investment losses at Olympus had reached nearly \$100B yen in. Yet, Yamada and Mori continued to bet money in risky investments in a desperate bid to recover losses. These losses were masked through a Japanese accounting standard that allowed financial assets to be accounted for at historical cost basis versus writing them down to a lower market value. In 1997 the accounting laws were modified which forced Japan to adopt the fair value accounting system, or "market-to-market accounting," as part of its implementation of International Financial Reporting Standards. (Mintz, 2012) As accountants, Yamada and Mori knew they would soon be forced to reveal the fair value of the impaired assets they were holding.

In 1998, with President Shimoyama's knowledge and approval, Yamada and Mori came up with a "loss separation scheme" to work their way around the new market-to-market accounting laws. It would transfer the nearly worthless financial assets Olympus had acquired to entities whose accounts would not be consolidated back into Olympus' financial statements. These entities are referred to as "shell companies," which are off balance sheet companies. This scheme involved selling the assets to parties that would accept them at book value. It would be necessary to create dummy entities that Yamada and Mori could influence in order to continue to hide the losses. The president of Axes Japan Securities and president of Axes America were asked by Olympus to set up these dummy entities. In 1998, the first "receiver fund," or dummy entity, called Central Forest, registered in the Cayman Islands; was set up to hide the losses. Yamada and Mori obtained financing from a bank in Liechtenstein. As collateral to obtain a loan to finance this dummy entity, Yamada and Mori deposited Olympus-owned Japanese government bonds valued at about 21 billion yen with the bank in return for 30 billion yen from them. Olympus' Asset Management also invested 35 billion yen in a class fund managed by this bank, which found its way into this dummy entity as well. Aside from borrowing from the bank in Liechtenstein, Yamada and Mori used a bank in Singapore to get another 45 billion yen into the dummy entity. After Central Forest was set up, Yamada and Mori began setting up the second dummy entity called Easterside Investments. Yamada and Mori invested another 60 billion yen into a different fund whose bond portfolio was lent to this dummy entity. (Bacani, 2011)

Up until 1998, Yamada and Mori succeeded in hiding these assets with a combined book value of 64 billion yen in Central Forest. Adding one last dummy entity, Yamada and Mori set up Quick Progress, having a book value of 32 billion yen. Yamada and Mori knew they needed to find a way to make the losses disappear, so they began to set up a loss disposition scheme. This involved the purchase of start-ups and entrepreneurial ventures at vastly inflated prices and payment of huge advisory fees for merger and acquisitions (M&A) deals. Part of the money that flowed out of Olympus for these inflated purchases was used to retire the loan from banks that financed the dummy enterprises and other obligations and bring back the money that went into the investment funds. The high purchase prices of companies were accounted for as goodwill on

Olympus' balance sheet. Yamada and Mori believed they were golden because the goodwill would be amortized over time down to zero. Then the money that Yamada and Mori lost on bad the assets were transferred to the receiver funds, which could be properly accounted for and no one would know. (McKenna, 2012)

Years later, Olympus' external auditor, KPMG, did not agree with the vastly overvalued goodwill ascribed to the purchases. Olympus was forced to take an impairment charge of 55.7 billion yen in March of 2009 and another 1.3 billion yen in March of 2010. The company took a financial hit, but from Yamada and Mori's point of view, the impairment still allowed them to finally dispose of part of the investment losses they had hidden away in the receiver funds.

Yamada and Mori then embarked on a scheme to acquire a company named, Gyrus. This transaction's purpose was another attempt to disguise 62 billion yen represented by the money invested in the fund lent to Easterside as goodwill. With this transaction, Yamada and Mori believed they would finally be able to retire the last of their investment losses. Yamada and Mori had to somehow inflate the purchase price, to account for the purchase of Gyrus; so, the two men overpriced the advisory fees for this purchase. Acting as M&A advisors, the presidents of Axes America and Japan negotiated a cash payment of US \$12 million of the grant of Gyrus warrants and preference shares that Olympus later on bought back for US \$670 million. Most of this money was used to free up the lent-out bond holdings of Easterside fund, thus allowing Yamada and Mori to redeem 63.2 billion yen. This represented the last of the investment losses they had hidden away. The final step was to book goodwill from the Gyrus deal and to amortize that goodwill over ten to twenty years. Again, KPMG questioned the excessive M&A advisory fees paid out. (Bacani, 2011) Yamada and Mori waited until KPMG was replaced in 2009 by Ernst & Young before buying back the preference shares. Ernst & Young, in turn, allowed US \$177 million to be booked as goodwill on the Gyurs acquisition.

In 2007, Olympus appointed British CEO, Michael C. Woodford. He immediately began questioning these transactions – specifically, the exorbitant M&A advisory fees. Woodford was fired by Olympus two weeks later after talking to management in attempt to rectify the discrepancies with the books. Woodford then went forward to British authorities as a whistleblower.

In 2011, after years of investigation, Olympus was forced to create an independent committee, and their findings were made public on 12/06/2011. A Six-man committee was appointed to investigate the Olympus scandal, headed by a former Supreme Court judge. Olympus survived the prospect of being delisted from the Tokyo Stock Exchange.. The TSE removed the company from its watch list for automatic ejection from the world's second-largest bourse. It filed five years' worth of corrected statements, plus overdue first-half results, just hours before a deadline set by the TSE. (Japan Times, 2012)

Shuichi Takayama assumed office as President and CEO of Olympus after Shimoyama stepped down in November of 2011. In total, Takayama created three committees to look into the panel's findings: a management reform committee, a committee formed of attorneys that will

investigate the liability of the board directors, and another committee made up of external lawyers that will study the liability of the non-directors and the corporate auditors. Olympus has set 01/08/12 as the due date for filing lawsuits against directors and 01/17/12 for other persons, including audit firms.

Currently in 2012, Olympus is suing its current president and 18 other past and present company officials over the scandal, seeking up to 3.6 billion yen in compensation for the accounting scam. Olympus said that all board members subject to the lawsuit would quit at an emergency shareholder's meeting to be held in March/April 2012. On 01/20/2012 the Tokyo Stock Exchange decided to let Olympus stay listed after paying a small fine of only 10 million yen or \$130,000. (Japan Times, 2012)

In February 2012, Japanese prosecutors have arrested and formally charged with criminal charges, Olympus' former chairman, Tsuyoshi Kikukawa, two other former executives, Hisashi Mori and Hideo Yamada, and three men from consulting companies who allegedly collaborated in the scandal. Prosecutors started a fresh investigation over alleged falsification from 2008 to 2010. These six men face up to 10 years jail time or \$125,000 fine. Nikkei Newspaper also reported, Olympus was fined \$1.2 million for false accounting. (Gallagher, 2012)

Japanese, U.S. and British officials are still investigating the case.

The stock price fell from a high of 2,769 yen July 22, 2011 to a low of 460 yen by November 11, 2011. As of July 6, 2011 Olympus shares traded at 1,291 yen. (Tokyo Stock Exchange, 2012)

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A COST ANALYSIS CASE STUDY OF A SMALL CHINESE MANUFACTURER

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ABSTRACT

This study investigated whether a small firm, China Umbrella Factory Limited (CUFL), and in fact any firm in a developing country (mainland China), could benefit from a formal, activity-based costing system. Many small firms, even more so than larger firms, find themselves particularly vulnerable to competitive challenges because the smaller firms lack the know-how and resources to know their true costs and profit margins. Smaller firms tend to use heuristics, or rules-of-thumb, in their estimation of costs as opposed to the bonafide use of a more sophisticated and validated costing systems, whether traditional or activity-based costing (ABC). Comparisons of this firm's current estimations of costs were made using both of these costing systems. Results indicated differences across the three methods. It was discovered that cost distortions that disfavored the estimation and traditional methods favored the ABC method. Notwithstanding the benefits found with using ABC, the firm decided not to adopt this method. A major constraining factor rested with the limitation of human resources – particularly with training in ABC as well as general management accounting. Furthermore since ABC, in a greater fundamental sense, benefits firms with significant overhead (when measured as a proportion of total cost), ABC would only provide limited benefits relative to the cost of implementation given the low-tech, primarily labor-based nature of this firm and its products.

THE BONUS OR THE BOOT?

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J. Michael McDonald, Georgia Southern University
Jerry W. Wilson, Georgia Southern University

CASE DESCRIPTION

The primary subject matter of this case concerns strategic management that involves a comparison of cost and differentiation strategies for a privately held company. Secondary issues examined include the importance of lower level management embracing company level strategy, showing initiative to employ that strategy to achieve high levels of performance and understanding the need to use informational resources available within an organization to objectively assess their area of responsibility and act constructively based on that information. Other issues address challenges in transitioning from the role of college student to employee and from employee to manager. The case has a difficulty level appropriate for senior level and graduate level students in strategic management courses. The case is designed to be taught in 1-2 class hours and is expected to require 3 hours of outside preparation by students.

CASE SYNOPSIS

The case chronicles the strategic evolution of a small to midsize regional sporting goods retailer. The company was founded by three brothers who used their enthusiasm for sports and the knowledge gained from their participation in those sports into a successful differentiation strategy. This strategy resulted in steady growth of the company in multiple locations. A private equity firm acquired the company and the CEO assigned to lead the company unsuccessfully implemented a cost based strategy. The private equity firm ultimately replaced the CEO and the new CEO has orchestrated a return to a differentiation strategy. The company is once again profitable.

As part of the company's evaluation and control procedures the CEO meets individually with each store manager at the company's headquarters to review the performance of the store for the prior year. The case describes two of those meetings. In one meeting, a store manager receives praise and a significant bonus for achieving a high level of performance by successfully formulating and implementing a differentiation strategy tailored to the local market. In another meeting, a different store manager is held accountable and ultimately fired for substandard store performance due to failing repeatedly to embrace the company's differentiation strategy choosin

AN AUDITOR'S ETHICAL DILEMMA

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CASE DESCRIPTION

The primary subject matter of this case concerns an ethical dilemma faced by the auditor of a publicly traded client. This case has a difficulty level of four, and can be used in a first auditing course. The case is designed to be taught in one class hour, and is expected to require two hours of outside preparation by students.

CASE SYNOPSIS

This case incorporates the content of Securities and Exchange Commission (SEC) Administrative Proceedings filed against the auditor as resource materials. Students are faced with an ethical dilemma, and are asked to resolve this dilemma using the guidance provided by the American Institute of Certified Public Accountants (AICPA).

THE AUDITOR AND THE CLIENT

Pollard Kelley Auditing Services, Inc. (PKAS) was a public accounting firm licensed in Colorado and Ohio and registered with the Public Company Accounting Oversight Board (PCAOB). As indicated in the Securities and Exchange Commission (SEC) Administrative Proceedings (hereafter SECAP), PKAS had five employees, including Terance Kelley, founder and vice president of audit services (SEC, 2010a). The SECAP also indicates that PKAS' primary place of business was Kelley's Colorado residence and that Kelley was responsible for performing the audits of Pegasus Wireless Corporation, Inc. (hereafter Pegasus).

Pegasus designed, manufactured and marketed hardware and software applications for broadband wireless access to fixed-point networks, portable networks and the Internet (SEC, 2006). The SECAP states that (SEC 2010a, 3):

From 2006 through 2008, Pegasus officers defrauded investors by creating backdated promissory notes memorializing a phony debt, which they used to issue unrestricted shares of Pegasus stock to individuals and entities they controlled. Pegasus issued nearly 480 million shares – 75% of its outstanding shares – based on the fake, backdated promissory notes, resulting in massive dilution of the existing shareholders' ownership interest. The individuals and entities who received shares dumped the stock on the open market and funneled many millions in proceeds to Pegasus officers.

PKAS issued unqualified opinions on the fiscal 2005 and fiscal 2006 financial statements of Pegasus (SEC, 2009). Pegasus was not the only publicly-traded audit client of PKAS. In fact, according to the PCAOB, PKAS did audit work (presumably from a room or two in Kelley's residence) for a total of 23 publicly-traded audit clients (PCAOB, 2009).

THE SEC ALLEGATIONS

On May 27, 2009, the SEC alleged that PKAS violated various audit standards by not keeping proper audit documentation and by failing to follow the rules promulgated by PCAOB (SEC, 2009). In addition to auditing the company's fiscal 2005 and fiscal 2006 financial statements, PKAS reviewed Pegasus quarterly financial statements through the second quarter of 2007. In March 2007, while conducting field work for the fiscal 2006 audit, PKAS noted that Pegasus had disclosed issuance of stock to redeem the fake, backdated, promissory notes that had never appeared on the financial statements before. PKAS had asked Pegasus for documents such as loan agreements that would support these transactions. Pegasus' Chief Financial Officer (CFO) agreed to provide the requested information to PKAS, but never did. Further, the CFO did not provide any other documentation that would serve to substantiate the existence, valuation, accuracy or classification of the debt in any way (SEC, 2010a).

Evidence of other unresolved issues appeared in PKAS' work papers for the 2006 Pegasus audit. Pegasus had failed to provide other information requested by PKAS, including details of prepaid expenses, bank records, and invoices. In addition, PKAS did not obtain a signed management representation letter from Pegasus for the 2006 audit. PKAS, despite all of these audit concerns, issued an unqualified opinion on Pegasus' 2006 financial statements.

In late 2007, PKAS and the corporate officers of Pegasus were sued for securities fraud by Pegasus shareholders and former investors. In early 2008, PKAS made additions to their 2006 audit work papers. The first addition was an unsigned management representation letter. This letter, signed by neither the CEO nor the CFO of Pegasus, stated that the 2006 financial statements were fairly presented in conformity with GAAP, that all financial records and documents were provided to PKAS, and that the CEO and the CFO had no knowledge of any fraud. A handwritten note appeared on the last page of the letter and stated "Verbally acknowledged & confirmed...by [Pegasus' CFO] over the phone. Hard copy to follow" (SEC, 2010a).

The SEC charged PKAS with violating Rule 102(e)(1)(ii) of the AICPA Code of Professional Conduct. Specifically, the Commission found PKAS "to be lacking in character or integrity or to have engaged in unethical or improper professional conduct." Schneider, Sheikh, and Simione (2011) outlined PKAS's specific violations of auditing standards.

AN ETHICAL DILEMMA

Assume you are an auditor of Pegasus. You have asked the management of Pegasus for documents such as loan agreements that would support the previously undisclosed debt (the questionable promissory notes), but Pegasus has not provided any of the documentation regarding these promissory notes that you have requested. Further, Pegasus has not provided you with a management representation letter in which they state that Pegasus management stands behind their assertions, nor has Pegasus provided any documentation for other items such as details of prepaid expenses, bank reconciliations, bank statements, and supporting invoices. As Pegasus' independent auditor, you must decide what to do.

DISCLAIMER

This case uses publicly available information to provide a setting for student learning. It is not intended to provide commentary on or evaluation of the effectiveness or appropriateness of any party's handling of the situation described.

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COMPARISON AND IMPLICATIONS OF HUMAN CAPITAL THEORY AT THE INDIVIDUAL, ORGANIZATION, AND COUNTRY LEVELS

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ABSTRACT

Human capital theory provides economic analysis in investment activities of education and training. This paper reviews the basic frameworks of human capital theory. Based on these theoretical frameworks, it suggests that human capital theory can be analyzed by individual (supply-side), organization (demand-side), and country (both supply and demand) perspectives. The analysis of human capital identifies considerable factors related to human capital investment, and explains how human capital theory is applicable in training and development field at the respective level. Finally, the paper suggests the directions for future research on human capital theory.

Keywords: education; human capital investment; human resource development; individual, organizational and country level; training

ACCOUNTING FOR GREEN HOUSE GAS EMISSION SCHEMES: ACCOUNTING THEORETICAL FRAMEWORK PERSPECTIVE

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ABSTRACT

This paper presents a discussion of a theoretical framework perspective of accounting for Green House Gas (GHG) emission schemes. The paper focuses on cap-and-trade emission schemes and uses both FASB and IASB's current and proposed accounting theoretical frameworks and their deliberations of the GHG emission scheme accounting issue. The paper concludes that GHG emission schemes trigger both an asset and a liability that need to be recognized from the initiation of the scheme's compliance period. The asset and liability need to be revalued each reporting period using actual and projected emissions, number of allowances on hand, and their current fair market values. A net presentation model can be used in financial statements.

Keywords:

Green House Gas, Emissions, Conceptual Framework, Accounting

UNDERPRICING OF BANK IPO'S IN INTERMEDIARY-ORIENTED MARKETPLACES: A TEST OF BARON'S MODEL ON THE ITALIAN MARKET

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This paper was written jointly by the authors, sections 1, 2 and 5 being the work of Massimo Regalli and sections 3 and 4 that of Maria-Gaia Soana.

ABSTRACT

Baron's model demonstrates that underpricing results from asymmetrical information between issuers and underwriters. Muscarella and Vetsuypens' test on the validity of Baron's theory in the US market showed no significant results. However, the model may partially explain underpricing in countries strongly oriented towards financial intermediaries, and is here tested empirically on the Italian market. We find that underpricing of self-underwritten bank IPOs is lower with respect to other firms and that information asymmetry between the issuer and intermediary may be a reason for underpricing.

Keywords: Baron's theory, underpricing, IPOs, banks

JEL CLASSIFICATION: G14, G21, G24

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BUSINESS MODEL MAPPING: APPLICATION AND EXPERIENCE IN AN INTRODUCTION TO ENTREPRENEURSHIP COURSE

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ABSTRACT

This paper describes the experience of using “business modeling” as the primary business design tool in an introductory entrepreneurship course instead of the perhaps more common and expected business plan format.

Business modeling is defined as:

- *“... the rationale of how an organization creates, delivers and captures value” (Osterwalder, 2010).*
- *“(The business model) is not intended to capture all the detail and depth expected in a business plan, rather it should be sufficient to communicate a fairly clear vision of how an idea might be translated into a business and the implications thereof. That is, it should be sufficient to compare, contrast and critique competing approaches (e.g., an on-line retailer versus a physical retail storefront), clearly highlighting their differences” (Author, 2012).*

By way of contrast, business planning is seen as focusing on a specific business proposition and being sufficiently detailed to justify the selected approach and provide an implementation plan with strategies, tactics, policies, budgets and milestones.

First, the paper describes the course, its objectives, the student body and the university context, as well as the conceptual framework used in this course, namely, “The Entrepreneurial Path.” Then business modeling is discussed in terms of how and where it is incorporated into the Entrepreneurial Path framework (business modeling is a precursor to business planning). Following this background narrative, instructor and student comments are shared.

Instructor and students using this method report:

- *Increased appreciation of the effort involved in starting a business.*
- *Increased appreciation for the breadth of knowledge and decision-making required to start a business.*

- *Increased awareness of how the various functions and activities of the firm are interconnected.*
- *Increased sense of preparedness to undertake a formal business plan.*
- *Increased sense of whether entrepreneurship is an appropriate personal direction.*

The paper concludes with a critical appraisal of the effectiveness of using business modeling as a means to introduce entrepreneurship (in preference to business planning) and makes suggestions for employing business modeling as an educational and practical device.

THE COLLAPSE OF BARINGS BANK

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ABSTRACT

The Barings bank was founded in 1763 in London U.K. Within a few decades of its founding, Barings achieved considerable international success, so much so that in 1803 it helped U.S. partially finance the purchase of the Louisiana territory from France. It also participated in funding the Panama Canal and the financing of the British campaign against Napoleon. Barings became a banker to royalty. In 1990's the Queen of England had a reported 40 Million Pounds invested with Barings.

In early 1980's Barings set up brokerage operations in Japan, just as the Japanese stock market started its spectacular boom. Soon, the Japanese operations were contributing to a large portion of the Bearings net profit. Building on its success in Japan, Barings expanded to Hong Kong, Singapore, Indonesia, and a number of other Asian countries.

By January 1992, Barings had a subsidiary in Singapore with an office of around seventy trading in Singaporean shares; provided banking services; and managed portfolios and researched the local market. Barings also owned a membership "seat" on the Singapore International Monetary Exchange (SIMEX). However due to Barings' lack of expertise in trading futures and options contracts, it did not activate that seat. Consequently, when Barings' clients required trading on SIMEX, it used a process called a "give up". The order was brokered through an active-member of SIMEX that charged Barings a fee called give up fee according to a contractual relationship between the two parties.

In March of 1992, Barings decided to activate its SIMEX seat so that it could benefit from its growing give up business. It appointed Mr. Nick Leeson as the general manager and charged him with setting up the trading operations in Singapore and running it. He was to recruit traders and back office staff and assumed responsibility for that office's profitability.

TRADING ERRORS

An important task in the brokerage business, particularly in the settlement side, is uncovering and dealing with trading errors. Errors occur when the trading staff misread or mishear an instruction or a broker misunderstands a hand signal. In a typical error, a trader sells the wrong amount, or sells instead of buying, or trades the wrong product, or executes an order at a wrong price.

When a contract is traded in error, the wrong position must be closed and the order executed again. Then, based on tapes of the phone conversations, written records, and individual

oral accounts of the incident, it will be decided who is responsible for bearing the cost. For example, if a dealer buys instead of selling a futures contract, at the time that this error is detected, two contracts should be sold, one to reverse the contract that has been purchased in error and a second one to execute the initial sell order. Of course, the market prices do change by the time that errors are discovered. The customer is entitled to the contract at the market price that would have applied if the order was filled without an error and should not have to pay a different price because of a brokerage error. The difference between the price that the customer is entitled to and the actual price at the time that the error is rectified represents a cost (sometimes a gain) that must be borne by the firm whose dealer bought instead of selling.

The brokerages book the losses (and sometimes the gains) that result from errors in a computer account called "the error account". Error accounts are usually charged to the year-end performance bonus account. This provides everyone that receives a bonus from that account with a financial incentive to be vigilant against errors.

At Barings Singapore, the errors were recorded and then sent to the home office in London to be deducted against Mr. Leeson's branch profits. The home office inquired why there were so many errors and Mr. Leeson explained that his office was extremely busy, and often chaotic, so that the errors were unavoidable, adding that after paying for errors, his operation was highly profitable.

As Mr. Leeson was feeling under pressure to reduce errors, his operations was hit by a large one. On a Friday, in July 1992, while settling trades by matching trading slips with customer orders and crediting the appropriate accounts, he discovered a trading slip indicating a sale of twenty March future Nikkei contracts for which there was no balancing purchase order. Noting the initials on the trading slip and the time stamp for the order, and listening to the taped conversation of the order being phoned in, Mr. Leeson traced the events. In contradiction with Fuji bank's order, Ms. Wong, a newly hired phone clerk, sold rather than bought the contracts. To make the matter worse, the market had soared by 400 points on that day.

Mr. Leeson calculated that to correct the error he must buy 40 contracts that at that day's closing market price would have caused a loss of 20,000 Pounds. He could do nothing about the error until Monday morning when the market would open. Of course, by then the market could have gone higher and the cost might increase substantially. Mr. Leeson reported the incident to his boss and was instructed to fire the phone clerk.

The following Monday, things were busy at the office, Mr. Leeson forgot all about the error. After the market closed for the day, he discovered the old trading slip in his pocket. He could not undo the trade until Tuesday.

THE HIDDEN ERROR ACCOUNT

On Tuesday, the error wasn't just the phone clerk's problem anymore. Mr. Leeson was responsible for sitting on it for a whole day. He decided to "cook the books" so that it looked

like he had taken care of the problem on Monday. On the daily trade sheet, which is a record of trading open to inspection by his home office, he denoted that the error had been corrected at Barings' expense. This record indicated that twenty Nikkei contracts were purchased on Monday to give Fuji bank a long position. In addition, the records showed the purchase of another twenty contracts to undo the short position that was taken in error on Friday. Since the trade hadn't been actually done, Mr. Leeson could not match it against another account. So he matched the trade against a fictitious opposing trade-- a sale of forty Nikkei contracts. This trade was credited to a dormant account number 88888 which he planned to hide from the home office.

In addition to the home office, Mr. Leeson had to satisfy SIMEX. The exchange routinely monitors its members' trades and imposes its rules and regulations to safeguard against fraud. Mr. Leeson submitted records to SIMEX indicating that twenty Nikkei contracts were purchased by the customer account 88888 on Friday. There were no mentions of an error.

Finally he had to take care of Fuji bank. In that account he denoted a purchase of twenty Nikkei March contracts on Friday. As far as the customer was concerned, its order was filled on time and without an error.

Mr. Leeson viewed this as a temporary solution that would have bought him more time to take care of the error. But by the following Friday the market continued its climb and he was sitting on an error that would have cost his firm 60,000 Pounds to clear up. The situation was now serious enough that it could have adversely affected Mr. Leeson's future with Barings. At the very least he would have received a smaller year-end bonus. Under the worst scenario, Barings might have hired someone else for managing the operations and Mr. Leeson might have been forced back exclusively into the settlement side of the business.

SEPARATION OF OPERATIONS FROM THE SETTLEMENT BUSINESS

Mr. Leeson's position as manager in control of both settlement and floor operations was unusual. In this regard Barings was not following the common practice in the brokerage business. Settlement staff serves as control for a firm's operations, while the trading staff is aggressively pursuing profits. The back office people are to watch and put the brakes on, in the event that the operations staff engages in a questionable activity such as taking on too much risk at the expense of the firm's survival. In Barings Singapore the fox was in charge of the hen house!

As a settlement specialist, Mr. Leeson had jumped into this situation to satisfy his dream of transferring to the glamorous and high payoff world of trading on the exchange floor. Barings was saving money by employing one manager for both operations and settlement, instead of two separate individuals.

IT WAS ALL DOWNHILL FROM BENDING A RULE TO SERIOUS FRAUD

The following week there was a second error. First Continental, a customer, informed Mr. Leeson that it received ten contracts from Barings that did not balance against any other account. The error was traced to Mr. Leeson and his floor trader George. Mr. Leeson recalled verbally telling George to sell. George remembered him saying buy. The floor video camera had not captured this conversation. So as it is usual practice, the two parties agreed to split the cost. George agreed to pay for half of the error and the other half was to go to Mr. Leeson's error account.

Mr. Leeson dumped this one into the stealth 88888 account. By now, he had practice with the complicated operations that hid the error from the customer, the exchange, and his own firm. Soon he was heading downhill from one violation of the trading rules to another. Over the next few months he hid some thirty large errors in account 88888. On paper, his operations looked a lot better and his year-end bonus account grew larger. He was on his way to being viewed as one of the largest profits centers in Barings' operations. His year-end bonus for 1993 was 135,000 Pounds.

The deceit had worked so well that in 1994, Ron Baker, the head of Barings' financial products group, set a profit goal of two million Pounds for Leeson's division. The goal was challenging, but reasonable given the false information that Mr. Leeson had provided regarding his division's current performance. Towards the end of that fiscal year, it looked as though Mr. Leeson had almost achieved that goal. Mr. Baker offered Mr. Leeson a year-end bonus of 350,000 Pounds. Mr. Leeson showed disappointment and Mr. Baker agreed to increase the bonus to over 400,000 Pounds.

The 88888-error account grew at an even more dramatic rate than Mr. Leeson's year-end bonus. To hide the account Mr. Leeson had to engage in exceedingly more serious and fraudulent acts.

First it was the matter of fooling the Barings' internal auditors. At the end of each month, Barings' accounts department scrutinized the printout of all accounts. Account 88888 and its huge losses could have been discovered in the month-end audit. Mr. Leeson devised a way to get around the audit. He closed account 88888 for a day and took the loss to his department's commissions earned account. He could do this as long as the losses in account 88888 did not exceed the earnings in the commission account and the auditors did not bother with scrutinizing the commission account. The auditors did not find out. However, soon the error account's losses exceeded the department's commission income.

Mr. Leeson came up with a daring solution. He would write enough option contracts to generate sufficient premiums to pay off the losses that exceeded the department's income on each month's end. He hid the liability for the options into the same error account. By selling options, Mr. Leeson exposed Barings to additional risk. The liability created by these options changed value as the option market prices moved.

HOW CAN AN ERROR ACCOUNT GROW TO AROUND A BILLION-DOLLAR?

After Mr. Leeson's resignation, account 88888 exposed Barings to an estimated one billion dollars of liability. Although error accounts in derivative businesses vary by the size and quality of operations, one billion dollars is extreme by anyone's yardstick. Typically, the yearly error cost should be well under \$100,000. For example, one division of a Chicago based corporation, a well-respected derivative operation, has shown errors of \$50,000, \$8,000, \$6,000, \$10,000, and \$90,000 respectively for its 1992 to 1996 operations.

Several factors were contributing to the extraordinary growth of the liability in the error account at Barings Singapore. One critical factor was that Mr. Leeson took undue risk at his firm's expense. This is termed the "risk shifting" problem in finance.

For example, in 1993 Philippe, a customer, called Mr. Leeson for a cash deal. He wanted to sell calls at a strike price of 220 or "220 calls" and buy 200 calls expiring in December. He added that he got an offer of 0.138 ratio for a 6000 lot order. At that moment, the ratio from dividing the market price of 220 calls by the price of 200 calls equaled 0.143. However, the option market was thinly traded, so one could reasonably expect that an order size of 6000 lots would move the market. The price for 220-calls was expected to decrease, as Philippe's sell order hit the market and was gradually filled. Similarly, the price for 200-calls was expected to increase to above their value prior to Philippe's order. This would have reduced the numerator and increased the denominator of the ratio, so that one had to give a lower ratio to Philippe. Mr. Leeson's problem was to figure out just how low should he go to make a reasonable profit? Should he beat the 0.138 offer and give Philippe a better offer of 0.139?

The industry practice is to call up different dealers and see how many contracts they would commit to execute at a given ratio. So Mr. Leeson called Tokyo. Barings Tokyo agreed to do 1000 units at 0.139 but felt that it is too risky to do any more at that price. The Tokyo trader assessed a high subjective probability that trading more than 1000 units would move the market so much that Barings would incur a loss on the trade.

The expected losses would have come from the trading office's year-end bonus. That would have loomed large enough to discourage most other traders from taking a risky deal like this one. However, with the hidden error account, Mr. Leeson wasn't adequately considering the risk of a loss. He was too focused on the commissions on 6000 lots of two options each. So he offered to do the deal at a ratio of 0.139. Philippe increased the order size to 6500.

Over the phone, Barings Tokyo took 1000 orders, Banque Nationale de Paris and Paribas each took 500 orders at 0.139. On the exchange floor another 2600 were placed with local traders at 0.139. After that no one would take any more at that ratio. Mr. Leeson was stuck with 1900 deals that he had to unload at a loss.

At this point a trader with a prudent approach to risk would have taken the loss and unloaded the deal at 0.138 or whatever price that the market could bear. However, Mr. Leeson took another large gamble. He separated the order, selling the 220 calls on the hope of buying

back the 200 calls later as the whole option market prices were depressed by his sale of 1900 contracts.

If he had not separated the calls, Barings would have been holding a hedged position. The losses would have been limited, since if the short position in 220 calls lost (made) money, the long position in 200 calls would have made (lost) money. Of course, the two trades would not totally offset each other, but would have moved against each other enough to limit Barings' loss. By separating the two calls, Mr. Leeson was creating an unhedged position and exposing his firm to a greater risk.