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CULTURAL DIFFERENCES AMONG CANADIAN AND AMERICAN FINANCE WORKERS

Jordan Baker, University of Texas at Dallas
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ABSTRACT

Hofstede’s 6 dimensional model deals with the interaction of people from different cultural backgrounds. These six dimensions help to build a framework for how we communicate and interact with people who are very different culturally but may not be so different as human beings. Using surveys, Hofstede’s was able to come up with categories in which people can be placed into which will measure certain traits and by examining these traits as well as results from the questionnaire we can deduce similarities as well as differences where we might not have seen them prior to completing the surveys. The US and Canada have very similar results in Hofstede’s model. The major differences are in individualism, masculinity and long term orientation. These traits would be the ones to look out for and make sure you get right. The other three traits are basically the same within a margin of error between the two countries so you can use similar strategies for these traits.

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THE IMPACT OF INFORMATION TECHNOLOGY MATERIAL WEAKNESS EVENTS ON CORPORATE GOVERNANCE CHANGES: A CONCEPTUAL VIEW

Delroy A. Chevers, The University of the West Indies

ABSTRACT

Information technology (IT) provides the foundation for an effective means of internal controls in organizations, which by extension promotes good corporate governance. However, it is believed that senior executives in organizations have not placed sufficient attention to the critical role played by IT, especially in material weaknesses. As a result, there have been numerous incidences of fraud, scandals and collapse of organizations in the international community. These failures are costly and can create significant damage to firms and national economies. There is relatively little research in this domain in Jamaica. Hence, the purpose of this study is to propose a research model which can be used to assess the governance changes that occur in Jamaican enterprises after the discovery of material weakness events. The insights gained from the application of the proposed model can make a positive contribution regarding good corporate governance in Jamaican enterprises.

Keywords: Corporate governance, information technology, Jamaica, material weakness.
CUSTOMER SERVICE, THE BIG 5, & CULTURAL DIMENSIONS AMONG ACCOUNTANTS IN CHILE & THE USA

Tammy Gibson, The University of Texas at Dallas
Hannah Steinberg, University of Georgia

ABSTRACT

The Big Five Personality (or Five Form Model-FFM) is a measure of five different personality traits (conscientiousness, openness to experience, extraversion, agreeableness, and neuroticism) that are present in individuals. Since the development of the model, it has been translated to several languages in order to survey individuals across the world in order to see how individual personalities relate when it comes to their culture. Research has shown that there is a direct correlation between a country's culture and it's people's personalities. The Big Five Personality profile has played a huge role in the development of being able to link entire countries to a broad personality group. This method, along with Hofstede's 6 cultural dimensions (individualism vs. collectivism, power distance index, masculinity vs femininity, uncertainty avoidance, indulgence vs. restraint, and long vs. short term orientation), have been used in research endeavors in order to create a profile for each country. These profiles can then be used to compare countries to each other and see how each one's cultural and personality traits relate to other countries. We can use these two measurements to compare the United States and Chile (or most of South America). Due to the fact that the different personality traits can sometimes identify with more than one cultural dimension, it is best to characterize each country with how it stands on each individual dimension that Hofstede has proposed. When it comes to the power distance index (PDI), Chile scores much higher on the scale in comparison with the United States. This means that Chile has a class of lower power individuals that are more accepting of the unequal distribution of power that occurs between them and the higher powered leaders (within family or business organizations). The United States pushes more towards equal distribution of power theoretically, hence their democratic system. A high power distance index may contain more people with an agreeable personality from the Big Five Personalities. Being more accepting of unequal power may make them more submissive by nature, therefore more agreeable. Chile also scores much higher than the United States when it comes to uncertainty avoidance. This would imply that they are more risk adverse as a culture and would also be more conscientious when it comes to their personality. Both traits like disciplined planning and do not act without forethought. The United States would be more of the opposite with a low score on the uncertainty avoidance dimension. In relation to the Big Five Personalities they would be the culture that has a high openness to experience and more extraverted personality. Their culture is one that takes risks, is more spontaneous, and are driven by excitement and curiosity. Both the U.S. and Chile score in the high-median range for their levels of indulgence. This would imply that they tend to not use restraint, but indulge in the nicer things life has to offer. With this dimension brings personalities with a higher degree of neuroticism, which shows itself in the inability to control your impulses. The United States demonstrates a much higher degree of individualism, compared to Chile’s more collectivist culture. This means that the U.S. fosters a
culture that is more conducive to independence and inwardly focused individuals who think of themselves first before the group. This also shows their personalities as being more open to experiences as they worry about only themselves and are self-seeking by nature. Chile, being more collectivist, has a more group centered culture because they are always thinking more of the entire group in return for the loyalty of others. This is true in most Latin American countries, and again confirms the conscientious, organized personality. The United States also differs from Chile when it comes to masculinity. Their culture displays more masculine attributes.

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BIG 5, HOFSTEDE, AND CUSTOMER SERVICE
AMONG ACCOUNTANTS IN BANGLADESH AND THE USA

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Hannah Steinberg, University of Georgia

ABSTRACT

Openness is the willingness of people/society to explore new ideas and to make adjustments in accordance with new ideas or situations. People of United States weighs much higher on this trait than the people of Bangladesh. Agreeableness measures how well-matched people are with others i.e. how easily a person can come to terms and co-exist with another person. Both the countries are on the same level on this trait. Basically, people of both the countries trait higher on agreeableness. Conscientiousness refers to a person's tendency to be organized and goal-oriented. I would say both the countries rank pretty close in terms of conscientiousness, because the people of both the countries are hardworking, persistent and have an eagerness to accomplish their goals. Extroversion is defined as "a trait characterized by a keen interest in other people and external events, and venturing forth with confidence into the unknown" (Ewen, 1998, p. 289). United States is a bit higher on this trait compared to Bangladesh. Neuroticism is "a dimension of personality defined by stability and low anxiety at one end as opposed to instability and high anxiety at the other end" (Pervin, 1989, p. G-7). This trait is sort of personal and varies from individual to individual. As a country as a whole, both USA and Bangladesh tend to have lower score on this. That means both the countries tend to be more stable and emotionally resilient.

Hofstede's 6D model: Power distance deals with the presence of equalities and inequalities in a country/society. “It is defined as the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally.” Bangladesh has a score of 80, whereas, USA has a score of 40. This shows that, the people of Bangladesh are more acceptable to follow orders from bosses or top management, and believe that the boss is always right. In comparison, USA scores low on this trait because the people of United States are all about equal rights, freedom, and justice. Here people prefer to listen to everyone before reaching a decision and not just follow orders from superiors. When considering Individualism we need to focus on two key words “I” or “We”. “I” refers to a society being Individualistic and ‘We’ refers to a society being Collectivist. In an Individualist society people mainly look after themselves, whereas, in a Collectivist society people tend to care for themselves, their family, and extended family. In other words, they care for their society as a whole. Bangladesh scores 20 on Individualism and USA scores 91. This shows that Bangladesh is more of a Collectivist society and USA is an Individualist society. In terms of Masculinity, Bangladesh has a score of 55 and United States has a score of 62, thus we can say both the countries are masculine i.e. in this countries people prefer achievement and success over caring for others and quality of life. Bangladesh scored 60 in Uncertainty avoidance and United States scored 46. This means that the people of Bangladesh are more reluctant toward risk and prefer to have a stable, predictable, and risk adverse life, whereas, the people of USA are more open to
new ideas, innovation, and prefer to try something new in their lives. Both the countries scored low, less than 50, on Long Term Orientation. This means that both the countries are “Normative societies which score low on this dimension, for example, prefer to maintain time-honored traditions and norms while viewing societal change with suspicion.” Indulgence refers to the way people try to control their emotions and needs based on the way they were raised. Bangladesh has a low indulgence of 20 which means that it is a restrained country. People in this society follow social norms to direct their actions, they feel that going against those norms or culture is somewhat wrong. United States on the other hand has a score of 68 which makes it an indulgent society, where people value freedom and personal point of view more than any social or cultural norms.

**Strategic Customer Service:** Bangladesh and United States have a huge difference in terms of Strategic Customer Service. In USA the customer comes first and the customer is always (or most of the time) right. However, in Bangladesh the customers are right till the point they have purchased the good or service. After the purchase the process of return, exchange, money back, or even getting follow-up customer service is pretty hard to get.

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ACCOUNTING CUSTOMER SERVICE, BIG FIVE, AND CULTURAL DIMENSIONS IN INDIA AND THE USA

Ajaypal Kaler, University of Texas at Dallas
Hannah Steinberg, University of Georgia

ABSTRACT

Big Five Personality US – Americans tend to be more open than other countries around the world. People on the north east coast tend to be less agreeable than central, southern, and western areas of the US. Compared to the first world countries, US is somewhere in the middle of stability but around the top when concerned with the whole world. Americans tend not to be conscientious. Donald Trump is a leading candidate for the presidency. That should speak volumes. Americans tend to be extroverted. India – Indians tend to be open. Most Indians aren’t agreeable but aren’t bordering hostility when arguing. India is stable the same way China is stable. Both are third world countries and have incredible growth in their countries but have risks with that growth. Indians tend to be conscientious. Indians tend to be extroverted.

Hofstede’s 6d model US – Americans tend to be indulgent. Power distance is less in America than in most of the world but not when compared to Western Europe. Individuality is a core aspect of American values and culture. Tolerance of uncertainty is prevalent in America but that maybe a technological issue more than cultural aspect. There is a balance between masculinity and femininity but it is skewed a little more to masculinity. Americans tend to have more short-term thought processes than long-term. This a central reason with over-indulgence in the obesity problem. India – Indians tend to be indulgent but more restrained when compared to American counterparts. Power Distance is something that is heavily applied in Indian culture currently. Collectivism is more apparent than individuality in India although individuality is becoming more common as they progress continue to grow. Tolerance of uncertainty is the same as it is in the US. India tends to be more masculine than feminine. There is a balance between short-term and long-term thought processes in India. Strategic Customer Service USA tends to be more consumer based economy and India is consumer based but not as much as the US.

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EARNINGS MANAGEMENT, EXECUTIVE COMPENSATION AND LAYOFFS

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Yi Ren, Illinois State University
Roger Lirely, The University of Texas at Tyler

ABSTRACT

This study examines the effects of managers' decisions on accounting numbers and the relation between earnings management and executive incentives around employee layoffs. We perform accrual analysis on a sample of firms that announce large layoffs by regressing discretionary accruals on indicator variables for years associated with large layoffs and indicator variables associated with executive incentives. We find that firms announcing employee layoffs are more likely to engage in earnings management for window dressing during the layoff year, and CEOs who announce employee layoffs are more likely to engage in earnings management in order to maximize their equity-based compensation.
HOFSTEDE’S CULTURAL DIMENSIONS AMONG FINANCE PROFESSIONALS IN CANADA & THE USA

Ali Omeis, University of Texas at Dallas
Hannah Steinberg, University of Georgia

ABSTRACT

When we look at Hofstede’s 6 dimensions in the United States and Canada we can determine that they are very similar in most areas. Comparing power distance we see that United States is at 40 and Canada is at 39. Power distance deals with the fact that all individuals in society are not equal and the score shows the attitude that the people have about the power inequalities among us. Since the scores are very similar, we can determine that the attitude towards power distance in the United States and Canada is almost equal. Looking at Individualism, United States is at 91 and Canada is at 80. This dimension focuses on the degree of interdependence a society maintains among its members. A higher rank in individualism shows that there is a stronger belief in that country that you look after yourself and your immediate family only and should not rely on help from authorities. Comparing the scores we can see that the United States has a more individualistic society. Comparing masculinity between the two, United States is at 62 and Canada is at 52. A high masculinity rank indicates that the society will be driven by competition, achievement and success, with success being defined by the “winner.” This value system starts in childhood and continues throughout one’s life. The high masculinity rating for the US reflects the “can do” and “winner takes all” mentality that we see in school, work and play. For uncertainty avoidance, the US is at 46 and Canada is at 48. This dimension looks at the way that a society deals with the fact that the future is unknown. Both countries score below average on the uncertainty avoidance dimension. For long term orientation, the US is at 26 and Canada is at 36. This dimension looks at how every society has to maintain some links with its own past while dealing with the challenges of the present and future, and societies prioritize these two existential goals differently. Both countries scored relatively low in this dimension which reflects that each society prefers to maintain time-honoured traditions and norms while viewing societal change with suspicion. The US and Canada are equal in terms of Indulgence with a score of 68. This dimension focuses on the extent to which people try to control their desires and impulses, based on the way they were raised. Both countries score as an indulgent society which reflects that individuals in each society tend to have a relatively weak control over their impulses.

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STRATEGIC CUSTOMER SERVICE AND CULTURAL DIMENSIONS AMONG FINANCE PROFESSIONALS IN ETHIOPIA AND THE USA

Dante Smith, University of Texas at Dallas
Hannah Steinberg, University of Georgia

ABSTRACT

In the summer of 2013, the senior author spent about two weeks traveling throughout Ethiopia. While two weeks is a short time to obtain a thorough understanding of a culture different than your own, the many people I met, conversations with locals, sights, and other experiences led me to notice many differences between the American and Ethiopian cultures. In this writing, I will be drawing from my experiences in Ethiopia to contrast Ethiopian culture with American culture with regards to the big five personality model, Hofstede’s 6D model and strategic customer service. The Big Five Personality Model Most of the local people that I met seemed to be more introverted than extraverted. They were soft-spoken and not extremely talkative, yet polite and overall very nice people. Generally, people in American culture seem to be louder when they talk and have much more to say. The Ethiopian people also generally seemed to be more agreeable than people in America. The majority of people that I met were sympathetic, kind, and affectionate. From my experience in Ethiopia, I would say that Americans and Ethiopians are equally conscientious. While I met many people in Ethiopia who were very open and friendly, on average I would say that they seemed to be more neurotic than Americans. On average, Ethiopians and Americans seemed to be equally open to experience. Hofstede’s 6D Model - According to www.geert-hofstede.com, Ethiopia scores higher on power distance than the United States. This higher score implies that Ethiopians are more accepting that power is distributed unequally than Americans. For Individualism, the United States scored much higher than Ethiopia. This higher score suggests that Americans are more concerned about themselves and their direct family members than Ethiopians are, who care more about the entire group that they belong and are loyal to. Both the United States and Ethiopia scored high in Masculinity. This suggests that both societies are driven by competition, achievement, and success. Both countries scored intermediately on Uncertainty Avoidance. This suggests that the people of both countries experience moderate anxiety when dealing with the uncertain future. The United States scored very low on Long-Term Orientation. The score for Ethiopia was not given, but from my experiences in the country I would say they would also score very low on Long-Term Orientation as many aspects of their culture were steeped in tradition. A low score in this category suggests that both countries view societal change with suspicion and prefer to keep to tradition. The United States scored highly in Indulgence. The score for Ethiopia was not given, but I would say that their score would be lower than America’s. A high score in indulgence suggests a relatively weak control over their impulses. Strategic Customer Service - In both countries, the quality of customer service depends on where you go. I have had both great and horrible experiences with customer service in both America and Ethiopia. That being said, the way that both countries approach marketing their products and services seem to be different. The street vendors in Ethiopia are much more aggressive when it comes to drawing you in and getting you to spend
money than what I am accustomed to in America. Most were much more interactive and constantly were selling their products or services throughout the entire experience.

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SHARED SERVICES AND COST REDUCTION IN GOVERNMENT ORGANIZATIONS: A SYNTHESIS

Rafiuddin Ahmed, James Cook University

ABSTRACT

This paper examines the theoretical and empirical evidence underlying one aspect of shared services, cost reductions, in government sector organization. Government organizations are generally budget constrained organizations who want to do more with less. The paper reviews cross sectional literature on shared services and takes a general management perspective of the understanding and evaluation of shared services.

The findings suggest shared services are theoretically grounded in economics and management and empirically focused on austerity management in most government organizations. If carefully designed, it can save significant amount of government budgets in any public sector organization, improve efficiency and productivity in back office operations which can be rolled over to other core-areas, if required.

The policy implication of this form of services is a reduction in workforce, reduction in wastage, improvements in productivity and efficiency of government sector organizations that use this form of service production and delivery.

INTRODUCTION

Shared services are a new development in the literature on support services or back office service provisions. Shared services resembled previous attempts in different names but with the same objectives of cost reduction, cost containment, and efficiency enhancement. For example, Curry (1976) is one of the earlier authors who introduced partial use of shared buying as an example of shared services in the US health sector. The paper reports the American Hospital Association’s calls to contain costs across all hospital activities. The responses to these calls resulted in some cost containment ideas that included shared buying arrangements for all hospital activities. Friedman, Pierskalla, & Beazoglu’s (1979) paper is other earlier paper that focus on the origins of shared services in the US. Based on contextual explanations from the health sector in the US, the paper argues that voluntary sharing arrangements (SAs) are likely to reduce costs of health care provisions to the community even though other reasons also drove the successes of share services.

Shared services phenomena resurfaced following the gradual decline of New Public Management (NPM) ethos of the late 1990s and early 21st century (Paagman, Tate, Furtmueller, & De Bloom, 2015). In its new form, shared services is defined as a collaborative strategy in which a sub-set of back-office functions are concentrated in semi-autonomous units to promote efficiency, value generation, cost savings and improved service delivery for the internal customers of the parent organization (Bergeron, 2002). Shared services have become a popular tool of back-office service provision in the government sector organisations in different countries in an era of tight government budgets, political reforms, calls for service quality improvements, cost containments and transparency without compromising the quality of services (Furtmueller, 2012; Tate & Furtmueller, 2013).
Research to date on shared services has examined management aspects or operational aspects. These papers are located within the broader domain of public administration or public management (see for example, Paagman, et al., 2015 for a review). Little is known, in this author’s view, about the cost reduction aspect that is focused to the needs of finance professionals or business academics. This paper is aimed to fill this gap in the literature. Being a relatively new area of research, there is a room for adding value to the untapped area of the literature on shared services.

The major contribution of this paper is a synthesis of theoretical and empirical work on cost reduction aspect (and its mirror such as efficiency and productivity) which can be used to build a framework and validate the claims that shared services reduce costs in back-office and can be extended to core-areas of government organizations.

The paper is organized as follows: the methodology is described next followed by the literature reviews, discussions and the conclusions.

THE METHODOLOGY

The design of this review closely resembles a systematic review of literature in that the systematic search terms are used. The review, however, follows the traditional pattern due to variations in the keywords, contexts, and themes in these papers. In order to conduct this review, only a two keywords are used “shared services”, then the terms are filtered in endnote reference software. In total 159 citations were downloaded from the authoritative databases such as ABI- INFO Global, Google Scholar, Scopus and Emerald Insight. The citations are further filtered in Endnote software using terms “government” “cost savings” “efficiency” and “productivity”. A total of 35 papers contained these terms. Before downloading the papers, the abstract of each paper is carefully read for relevance to this review. Only 14 papers qualified for the review, therefore, the review is based on these fourteen peer reviewed publications. These papers are drawn from eight (8) different journals1. Consideration is given to recently published or open access journals. The review below summarizes the key areas of each paper: the context, the research question, the methods employed, the key findings and the implications (cf. Paagman, et al., 2015).

THE KEY STUDIES

Based on the criteria for review, the studies included papers published predominantly in USA, Australia, New Zealand and the UK. The papers are drawn from the government sectors except one paper from a private sector public utility company. The first paper in the review by Paagman (2015) uses a framework developed from an integrative literature on the motives for introducing shared services. The framework is validated by 16 interviews with shared services experts in New Zealand and the Netherlands. The study finds the key motive for introducing shared services is cost reduction. Other motives, in order of priorities and significance are: improvement of service delivery, service quality and consistency, exchange of internal capabilities and access to specialized skills and expertise. The main ethos is efficiency improvement through collaboration and engagement, a philosophy grounded in “New Public Services”.

Seal and Herbert (2013) uses an interpretive case study to explore the meaning and concepts of finance shared service centres (SSCs). The paper uses an iron cage analogy framework to interpret how finance SSCs drive changes and are affected by changes within
a multi-divisional organization. The paper finds that finance function share services are influenced by the economic and institutional influences at the organizational field level, the change is evolutionary and nuanced. The paper also argues that unbundling and reconfiguration of finance functions is more than a rational response to cost reduction and efficiency savings. Within the transformation process underlying the finance function, management accounting systems are both changed and made stable by the SSC.

Sterba & Grechenig (2009) examine an IT shared service sector example using six case studies of different organizations that implemented shared services to optimize Information Services (IS) costs. The paper argues that consolidation of IS services will be beneficial if redundant services exist after a merger, in conglomerates and in other kinds of co-operation. The chosen case organizations represented differences in management expectations before and after the introduction of shared services. The paper outlines the conditions when shared services fail or succeed, the core management considerations, the synergy pyramid aimed at sufficient cost reduction, implementation cost issues and the involvement of staff in the decisions to introduce shared services.

Ulbrich & Borman’s (2012) paper offers theoretical explanations of cost reduction and quality improvement motives for introducing shared services in public sector organizations. The paper also argues that process standardization leads to these benefits from shared services. The paper also uses a literature analysis on process standardization and develops a framework to predict when unbalanced process standardization will lead to less effective service delivery modes. Four trajectories are likely to develop from the transition to shared services provisions (a) centralised shared services, (b) outsourcing shared services (c) collaborative shared services, (d) decentralized shared services. These trajectories negatively affect the goals of cost reduction and quality improvements, and cause the shared services centres to lose momentum and gradually decline. The paper uses four propositions to remedy these declines.

van der Voort, de Bruijn, & Janssen’s (2009) chapter presents a set of critical choices for initiating a shared services centre in a large public organization and the management of transformation process towards this move. The paper uses a study of human resource SSCs in government organizations and examines the transformation to SSCs through network theoretical lens. The study finds some patterns determining the success or failure in the design and implementation of shared services in government organizations. The findings are aimed to inform the complexities associated with the initiation and implementation of shared services in public administration and provide some strategic suggestions for these transformations.

Adams & Youdal’s (2007) study introduces different forms sourcing of services in the oil and gas sector. Some examples from the US oil and gas production revenue accounting functions report the use of back office operations to third party operators. Some organizations used shared services within their own organizations and some independent organizations even sourced these services from specialized external firms to minimize costs from reductions in in-house PRA staff members, to focus on core competencies and to worry less about attracting and retaining the talent needed for production revenue accounting (PRA).

Derven (2011) defines shared services as an organizational structure that consolidates delivery of one or more support functions to achieve cost reductions, economies of scale and improved services. The paper argues that training is an important success factor for the achievement of the goals of shared services. Because of these goals, shared services are
growing at many large, multi-location and global organizations.

Goh, Prakash, & Yeo’s (2007) paper use examples from the private sector IT shared service transition and success. Using a resource-based view, the paper reports the necessary conditions to succeed the transition to a shared services model. The results suggest that the major changes involved when transitioning to a shared services model are process and communication related. Alignment of team members and gaining their commitments are necessary for the success of shared service provisions.

Herbert & Seal’s (2014) work is sourced from a private sector utility company. The study draws on the literature on knowledge management, strategic management and business process sourcing and uses a longitudinal case study to explain when shared services can create valuable and firm specific resources and dynamic capabilities. The study finds that shared services centers may help to redefine core and non-core activities can create firm specific resources and dynamic capabilities. The study implies that firms contemplating to move to a shared services model can tap the benefits of expertise and information systems used in repeated commoditized core services and use these for similar projects in the future. The paper implies benefits from shared services extend beyond cost reductions through efficiency savings and labour arbitrage.

DISCUSSIONS

The papers reviewed in this article focus on cost reduction or cost savings in government organizations though shared services have other dimensions affecting organizational functioning and management. A number of themes emerged from the review.

The studies are sourced from the USA, Australia, New Zealand, the Netherlands and the UK. Two of the studies are taken from the private sector because they reported a very robust practice. The papers are sourced from the health care sector, IT sector and the utility sector of these countries. These sectors are the hardest hit sectors due to funding constraints for at least four decades (see for example, Curry, 1976; Friedman, et al., 1979). The continued struggle of government sector to manage service provisions with limited resources provided impetus for alternative service provisions in the 1990s through competition and early part of the century through the theories of economics such as scale economy (see for example, Derven, 2011).

The motives for cost reduction through shared services brought about other changes and effects such as productivity, efficiency, quality and cost savings issues (see for example, Bergeron, 2002). In order to tap the full benefits of shared services, the studies have reported multiple initiatives within organizations such as top management commitment, implementation plan, cross functional teams which led to expertise and knowledge development in back office service provisions (see for example, Herbert & Seal, 2014).

Most of these studies used descriptions to report findings but a number of these have provided rich description of contexts using different theories such as network theory, resource-based theory, and business process outsourcing theory (see for example, Goh, et al., 2007; van der Voort, et al., 2009). Case studies ranged from single organization to multiple organizations and some devoted to the coverage over long time periods (longitudinal studies). With the exception of a limited number of papers, most papers are atheoretical, that is, there is no theory to inform shared services.
CONCLUSIONS

This review is aimed at covering research in shared services with a focus on cost reduction and related areas such as an improvement in productivity, efficiency and quality of services funded by government agencies. Due to this narrow focus, only fourteen papers qualified for inclusion. The key finding of this review is shared services have reduced costs of the government sectors covered in these papers. The cost savings were accompanied by other benefits such as quality improvement, efficiency improvement through knowledge and expertise development. The other key finding is the introduction of shared services has also streamlined bidirectional communications between the champions of the concept and the followers of the concepts, which is essential for the successful implementation of any new project or ideas.

The paper has contributed to the growing body of the literature on shared services by pinpointing the most sought after rationale for shared services’ introduction, that is, cost savings. Cost savings is perceived as a key aim of any government organization due to declining government revenue bases in many developed and developing countries in the world. Cost savings is also tangential to professional interests of public administrators, politicians, and internal managers (mainly accounting and finance personnel).

The study has the limitations of a small sample study. Only fourteen papers (nine specific) are used to review the core themes of the paper. Government reports, theses or research monographs can be used to extend the themes and issues synthesized in this paper. The sample can be increased to include papers from other countries including developing and under developed countries. Most of the papers are based on descriptive account of a single organization, or multiple cases. The generalizations may be questioned due to the small sample size. Surveys of practices or meta-analytic procedures can be used to improve the reliability and validity of the conclusions reached in this paper. Shared services concepts are examined in using back office operations only. It will be quite interesting to explore if shared services centres work equally well in core-areas of activities of any types of organizations.

ENDNOTES


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ONLINE SALES AND ITS IMPACT ON STATE AND LOCAL GOVERNMENT REVENUES: IS THERE A SOLUTION?

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ABSTRACT

State and local governments are challenged to find alternative revenue sources to offset the approximately $23.3 billion lost from their inability to collect sales taxes from e-tailers. The issue is also impacted by the approximately 10,000 jurisdictions that might be entitled to sales tax remittance. Since the sales tax collection and remittance involves interstate commerce, any solution must be addressed at the federal level. However, Congress response has been slow; so states are developing individual action plans to move the conversation forward. The paper discusses the legislations that have been proposed to address sales tax collection and remittance, and their correct status. It offers a potential solution that might end the stalemate between Congress, states and local governments, and e-tailers.
THE BIG 5 & CULTURAL DIMENSIONS AMONG HEALTH CARE WORKERS IN LEBANON & THE USA

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ABSTRACT

The Big Five traits include the following: Extraversion, agreeableness, openness, conscientiousness, and neuroticism. In regards to strategic customer service, from personal experience in both countries, Lebanon does better in terms of extraversion and agreeableness because of the extreme social nature of its people/workers. Although the US does well in this space, Lebanese hospitality seeps into its customer service, and in business transactions whenever you can be made to feel comfortable and happy/more willing to be a return workers will try to do so. In the US, this is done to an extent, but the limits of social boundaries stop it from becoming as excessive as it is in Lebanon. In the US, openness and conscientiousness reign supreme compared to Lebanon. The socialability of Lebanese people makes them prone to not wanting to go the extra mile for customer service to be done as thoroughly if it involves extra 'difficult' bureaucratic work. This lack also stems from a generally crippled bureaucratic process because of corruption in the country--something which also contributes to a lack of openness (perhaps out of shame or generally not knowing true information). The US has processes and methods which stop this from becoming a major issue. Regarding neuroticism, the US has more of a neutral emotional outlook on customer service, whereas in Lebanon, people take complaints or suggestions to be more personal affronts, leading to a higher degree of neuroticism. Hofstede's 6 Dimensions model discusses: individualism vs collectivism, masculinity, uncertainty avoidance, power distance, long term orientation, and restraint. According to Hofstede's comparison website, Lebanon (and therefore the customer service) is affected by low individualism, high masculinity, neutral uncertainty avoidance, high power distance, low long term orientation, and high restraint. This can affect customer service by inspiring loyalty to long-time business partners, making dealings with men more common and effective, having difficulty in having information trickle down the management levels, quick decision making sometimes based on impulse for fast results, and high restraint with a propensity to conform to social norms. The US on the other hand is high in individualism, low in power distance, similar in masculinity, a little lower in uncertainty avoidance, more long-term oriented, and higher in restraint/indulgence. This affects customer service by making information more readily available to customers from upper management, makes successful individual results more desirable over group results, gives a more long-term decision making outlook in terms of how relationships are managed and customer service decisions are made, and finally makes customer service have to focus on making customer desires gratified much more quickly.

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BIG 5, CULTURAL DIFFERENCES, AND STRATEGIC CUSTOMER SERVICE DIFFERENCES BETWEEN BANGLADESH, INDIA, PAKISTAN, AND THE UNITED STATES OF AMERICA

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ABSTRACT

Power Distance- India believes in inequality and hierarchy, they accept that each member in society has their place and are dependent on the authority figure to give direction therefore scoring high on the power distance. US on the other hand has a low power distance. In the US, citizens believe that any person regardless of social status can be equally as powerful and decisions and suggestions are accepted from all, and are given equal consideration. Individuality - India is right in the middle as far as individualism and collectivism. The US however is more individualistic in that citizens are more inclined to do what’s best for themselves and their immediate family and not concentrate on making decisions based on the community at large. Therefore the US scores very high on the individualism scale. Masculinity - India scores higher on this scale indicating that the citizens are driven by success, competition and achievement. The US, like India, scores high on this scale meaning US citizens are driven by those same factors rather than being caring or more feminine. Uncertainty Avoidance - India scores low on this dimension meaning that the society has accepted that things cannot always be perfect and that society cannot always control the outcomes. The US, unlike India, scores high on his dimension meaning that Americans do not like uncertainty and will go to great lengths to attempt to predict future outcomes and creating ways to minimize impact of unexpected events. Long term Orientation - India scores moderately high on this dimension due to the fact that society tends to follow norms and preserve traditions. The US scores much lower on this scale as the society tends to create new norms and conform as time passes, creating new traditions is common in this culture. Indulgence - India scores low on this scale meaning the society displays great restraint compared to the US who scores very high on this scale meaning that the society is very indulgent. The US gives in to their desires with high relative frequency. Instant gratification is sought after in this culture. India’s Big 5 Personality Traits: 1. Low Openness, 2. Highly Conscientious 3. Low Extravertedness 4. Highly Agreeable 5. Low Neuroticism. US Big 5 Personality Traits: 1. High Openness 2. Highly Conscientious 3. High Extravertedness 4. Low Agreeableness 5. High Neuroticism. Both cultures are different. They are extremely different in Power distance individualism, masculinity, uncertainty avoidance, LT orientation, and indulgence. This would cause a great deal of difference in the way each country handles customer service. Both cultures are different.
The definition of power distance the way in which power is distributed and the extent to which the less powerful accept that power is distributed unequally according to the dictionary. Pakistan has a score of 55, whereas, USA has a score of 40. This shows that, the people of Pakistan expect to follow orders from the upper management and people who have authority. There is a huge power gap between each class of society. On the other hand United States believe on equal employees’ rights. The regulations helps to reduce the unequal distribution of power. An Individualist society people mainly look after themselves, whereas, in a Collectivist society people tend to care for themselves, their family, and extended family. In other words, they care for their society a whole. Pakistan scores 14 on Individualism and USA scores 91. The people of Pakistan tend to remain close to the family whereas the American culture encourages Independence. Pakistan has a score of 50 and the United States has a score of 62, in terms of masculinity. These scores are quite close to each other. This show that success and achieving the goals if given a high preference over emotional needs. Pakistan scored 70 in Uncertainty avoidance and United States scored 46. People of Pakistan prefer to have a stable and secured life. The try to take minimum risk in life. In United states people are open to take risk. The believe on the concept of risk and reward. Pakistan has a 0 indulgence which means that do not focus on leisure time and control the gratification of their desires. United States on the other hand has 68. This shows that people like to express their desires and emphasize on leisure time. Hoefstede’s 6D and the Big Five Personality framework both appear to use different names to ultimately compare and contrast a team player functioning according to the team’s rules versus an inwardly focused person responding to his or her own guideline. Pakistan would likely excel at providing strategic customer service in the sense that strategic customer service focuses on providing departments that are seemingly unrelated to service line of sight for their direct impact on service goals. Additionally, as a country with low individualism, a moderate long term orientation and a higher commitment to uncertainty avoidance it also appears Pakistan would share high agreeableness and conscientiousness. These traits would foster an environment that welcomes aligning with corporate strategies. Conversely, in the sense that strategic customer service focuses on individual transactions and each person’s daily success I would expect the US to have greater achievement. The US has high indulgence and individualism, but low uncertainty avoidance and long-term perspectives. These Hofstede 6 D suggest the US would have higher openness and extraversion which drive the innovation and spontaneity needed to meet customers’ needs. Ultimately, each country has areas of strength, but it’s likely the US would provide better strategic customer service. However, this is likely because strategic customer service aligns with a western perspective which is open and willing to change.

Bangladesh is a traditionally Muslim country. When you compare Hofstedes 6D model between the USA and Bangladesh, there are a few similarities between the two countries. For instance, both countries have high scores in the power distance dimension meaning that both cultures are hierarchical. Additionally, America and Bangladesh tend to have collectivist societies where relationships are highly valued and decisions are often made based on the group membership. The USA and Bangladesh differ when compared on the Indulgence dimension, Bangladesh has a score of 20. This translates to a much greater focus in American culture for individuals pursuing fun, having positive attitudes, and trending towards optimism. Comparing the USA and Bangladesh on the Long Term Orientation then one would find that people from the USA are much more interested in short term outcomes when compared to people from Bangladesh. Both cultures are slightly above average on the masculinity scale, meaning they are slightly more focused on success than caring for others. On the Uncertainty dimension, the USA
has less tolerance for uncertainty than Bangladesh. Overall while Bangladesh, India, and Pakistan used to all be part of the same country culturally they are highly different places and even more different from the United States of America.

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STRATEGIC CUSTOMER SERVICE, CULTURAL DIFFERENCES, AND THE BIG 5 IN CHINA, MEXICO, SOUTH KOREA, TAIWAN, AND THE UNITED STATES OF AMERICA

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ABSTRACT

China is different from United States. Long term orientation, masculinity is very higher in China than USA. In China the people work hard and they are royal to their employer but in USA the people would like to move up and it doesn't matter how. They transfer horizontally and change jobs. In China they would like to have the men work more than the women. The big five personality model that describes the relationship between personality and academic behaviors. The factors include openeness to experience, conscientiousness, Extraversion, agreeableness, and Neuroticism. In China, people believe that inequalities among people are acceptable and the power distance tends to be higher than the U.S. U.S rate toward individualism, China ranks towards the collective side. China is a Masculine society, success oriented, and driven while the U.S is close to the middle, slightly toward the masculine side. Chinese can adapt traditions easily to changed conditions and achieving results. Americans measure their performance on a short-term basis. Americans think “Work hard and play hard”, and if you have something on your mind, you are expected to say it directly. In contrast, China is restrained societies, and Chinese have the perception that their actions are restrained by social norms. In U.S people think “Work hard and play hard”, and if you have something on your mind, you are expected to say it directly. On the other hand, China has restrained societies, and Chinese have the perception that their actions are restrained by social norms.

Mexico’s first dimension under Hofstede’s model has a close score as China with an 81. Mexico is known as a hierarchical society. It is view that the Mexican culture accepts the hierarchical order of everyone having a place. Mexico scores a higher score than China with a 30 in the second dimension of individualism; it is still seen as a collective society like China however, this is show in part of being as a collective family, which is vital, and overrides most other cultural principles and regulations. Mexico cultivates in solid connections where everybody assumes liability for individual parts of their gathering. In the third dimension of masculinity, Mexico scores a close score to China of 69. Mexico’s culture “live in order to work””. In the fourth dimension of uncertainty avoidance, Mexico scores an 82, which is more than double of China’s. With the high level of uncertainty avoidance, shows a narrow minded of unconventional conduct and thoughts. Time is cash, individuals have an inward urge to be occupied and buckled down, exactness and reliability are the standard, advancement may be
opposed, and security is a vital component in individual inspiration. Long term orientation, the fifth dimension of Hofstede’s model, Mexico scores a low 24 meaning that the culture is normative. Unlike China, Mexico have a strong respect for traditions. In the sixth dimension of indulgence, Mexico scored a extremely high score of 97. Individuals in the Mexican culture are grouped by a high score in liberality for the most part display an eagerness to understand their driving forces and yearnings with respect to getting a charge out of life. They have an uplifting mentality and have a propensity towards hopefulness. Big Five Personality Mexico: Extraversion 50.24, Agreeableness 49.51, Conscientiousness 45.72, Neuroticism 48.00, Openness 52.26 Taiwan: Extraversion 47.75, Agreeableness 44.74, Conscientiousness 42.52, Neuroticism 53.13, Openness 45.70 Mexican people tend to be more extroverted while Taiwanese are more introverted. This seems to reinforce common perceptions of both groups. Mexicans are far more agreeable than Taiwanese. Mexicans may be easier to get along with while Taiwanese are more skeptical. Both Mexican and Taiwanese people are less conscientious than those in the USA (50.00). Mexicans are far more emotionally stable than Taiwanese and Mexicans worry less. Openness to experience is scored higher by Mexican folks while those in Taiwan are more satisfied with less complex and straightforward situations. Hofstede's 6D model Mexico: Power Distance 81, Individualism 30, Masculinity 69, Uncertainty Avoidance 82, Long Term Orientation 24, Indulgence 97 Taiwan: Power Distance 58, Individualism 17, Masculinity 45, Uncertainty Avoidance 69, Long Term Orientation 93, Indulgence 49. The power distance for Mexicans is high which indicates a more ridge hierarchical society than the society in Taiwan. Both Mexican and Taiwanese societies are collectivistic and value family over individual success. Mexico has a more competitive and achievement focused society while those in Taiwan are more focused on cooperation and negation. Both countries value avoiding uncertainty. There is a stark contrast in long term orientation. Mexican people value tradition and established norms. Taiwanese people value thriftiness and are more practical. Mexican culture emphasizes having an enjoyable time and leisure. Taiwanese culture with a score of 49 balances indulgence and restraint. While I was unable to find customer service scores comparing Mexico and Taiwan, J.D. Power ranked customer service in both countries for car brands and Honda led non-premium brands. Studies showed that customer service in both countries was important for repeat sales. With the increased utilization of the internet increasing across the world and easier access to travel means, businesses are looking to expand and try to increase their customer base. Customer service is an important aspect of business and as cultures start to interact more frequently, cultural awareness is becoming a more critical part of a business being successful on a national scale. Here we are looking at two countries that have regular interaction in South Korea and the United States. As the United States has allied with South Korea and has had a major influence in developing their government and economy, we take a look to see if this influence could have started affecting and changing the culture of South Korea and whether the United States can alter their business models to become more customer oriented. Culturally South Korea is a collectivistic culture that has been growing more feminine. Their power distance index has been declining and they are currently a slightly hierarchal society. Businesses in South Korea look towards the long term profitability of a business and are more likely to avoid uncertain situations or projects. As we look at similar countries in the area, such as China, we can see that both countries are very collectivistic and have a more hierarchal society. However, South Korea is different in many other areas, although slightly hierarchal South Korea has one of the lowest power distance index scores and lowest masculinity scores of the Asian continent. As we look around the Asian continent, we can see that countries with closer ties and
interaction to western cultures have started to deviate from countries who limit the interaction. It seems that the United States has a huge influence on these cultures. However, businesses from the United States can take a page from their partners across the see and focus on the importance of customer service and loyalty. One of the strong aspects of South Korean culture is the importance of long term positioning and loyalty of the customers to the business. Being a collectivistic society, South Korea is loyal to their countries brands and businesses, and because of this, businesses in South Korea know the importance of customer service, at times giving away free samples and gifts, with fear of not being able to keep up with the competition. Customer service in the United States is taken for granted, many customers would prefer to get their shopping done as quickly as possible and many have even begun shopping purely online to avoid the stresses of brick and mortar shopping. Although businesses in the United States do not have to go as far as emulating South Koreas customer service model, because at times the service in South Korea can be to overwhelming, they can greatly improve their customer service by making the customers feel welcome to their business. Greeting them at the door or providing information about products and recommendations based on customer needs, focusing on providing a positive experience and increasing the opportunity to retain customers long-term and gain free marketing based on word of mouth.

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POLITICAL TIES, TECHNOLOGICAL CAPABILITIES, AND ORGANIZATIONAL RIGIDITY

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ABSTRACT

Do political ties formed by business groups in export-led emerging economies facilitate or hinder technological capability building? Drawing on dynamic capabilities and organization rigidity literature, this paper argues that the relationship between political ties and technological capabilities in export-led emerging economies is contingent upon the extent of external environmental threats to which the business group is exposed. This paper aims to explain why business groups have invested in political ties are still being inertial to change their resource investment patterns despite the competitive threats from the product market liberalization (e.g., trade liberalization), and how business groups invested in political ties can sustain their preferential accesses to strategic factors until they encounter effective factor market liberalization (e.g., capital market liberalization).
STRATEGIC CUSTOMER SERVICE & THE BIG 5 IN CHINA & THE USA

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ABSTRACT

In the US, we would say that we are more open to experience than in China. As this relates to strategic customer service, we are more risk taking, and the Chinese are more reserved when it comes to making strategic decisions. As far as conscientiousness, we as Americans are not as organized as the Chinese. We feel like we just kind of let things happen as they come, and the Chinese are much disciplined and have a very strict set of rules. This aspect as it relates to strategic customer service is that when doing business with the Chinese, we have to be respectful of their rules, and do our best to understand their way of doing things. We are definitely more extraverted compared to the Chinese. This kind of plays into what I said earlier in that they are more reserved and we are more outgoing. As far as agreeableness, the US can be seen as shady, where the Chinese are more trustworthy and place a lot of importance on family and building trusting relationships. Neuroticism relates to how easily people are affected or experience emotions. As Americans, we wear our emotions on our sleeve, and we have to be mindful when doing business with the Chinese, as they are not the type to express their emotions, so it’s hard for us to determine how they are feeling, or what they are thinking, because they just don’t express their emotions like we do. Hofstede's model, the power index, I think that in the US, we can sometimes abuse authority, and don’t have a lot of respect for people in higher positions than us, whereas, in China, I think that they have well defined hierarchies of power, and that they have a lot of respect for individuals that are higher up than they are. Americans are very individualistic in context. We are concerned for our own success and usually prefer to work alone. China puts a lot of emphasis on working together and is very family oriented. The US, uncertainty avoidance is less serious than China when they are doing business. We are still somewhat afraid to take chances due to uncertainty, but the Chinese are more set on strict sets of rules, and if one way is working out just fine, they see no need to change things. In my opinion, the US is masculine in nature. We are assertive and want to be rewarded for our success. We place an extreme amount of effort on supporting ourselves and ensuring our success. The Chinese are more feminine in nature. They place more focus on their family, than their success. They are more caring and nurturing in nature. As Americans, we want instant gratification, and as a result, we are, for the most part, more short-term goal oriented. It is often difficult for us to make decisions for the long-term. We believe the opposite is true for China. They invest a lot in the beginning, and have faith that the long-term goal setting will pay off. The US is definitely more indulgent. We do things that make us feel happy and we like to have a lot of fun. The Chinese are always working. Their lives are consistent with working way more than the Americans do, so that they can support their families. They take their work extremely seriously, as we tend to be more laid back, and are concerned with having some fun in our lives. With all that being said, we must be mindful that the Chinese culture is very different from ours in many different aspects, and that this carries over when we are doing business with them as well. It is extremely important to educate ourselves about the culture in which we do business.
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BIG FIVE PERSONALITY, CUSTOMER SERVICE, AND CULTURAL DIFFERENCES AMONG MEDICAL WORKERS IN CHINA AND THE USA

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ABSTRACT

In comparison of terms with regards to Big Five Personality traits. China tends to scale low on the scale while US would often scale higher on the scale. China would also scale higher on agreeableness, and conscientiousness but lower on extroversion and neuroticism. In reflection of this difference in terms of customer service. It would be easier for China to target its customer with direct features and improving existing brands since they are low on openness to experience and high on agreeableness. US on the other hand should focus on emotional appeal to customers as people are higher in neurotism and directly ask for their opinions. In term of Hofstede’s 6D model, US scores low on power distance compare to china’s high power distance. This means that customer service requires giving higher status to the customers since that is to be expected, as well as not arguing back with the customer and refer to a higher authority in China. In US, it also means that there is less need of giving formal rituals that one would perform to customer as they do in China. US scores highly on individualism while China scores high on collectivism. In terms of customer service, it is therefore important to offer personal benefit package to customers in US, while offering family benefit package to customers in China. China scores low on uncertainty and US scores high. In this term, US must have clear instruction for customers and black and white standards. Feedback from customers are more direct as people since just speak their mind. On the hand, in China, employees really have to learn about the subtle way that customers interact and analyze the real reasons behind many factors. Both China and US scores high on masculinity. In term of customer service, give them on something that they can feel as an achievement on more than to give them something that makes them feel like it’s taking care of their life. China score medium on LTO, while US score high on LTO. This means that user experience should be focused on the immediate effect for China, while long term orientation should be focused for US. China scores lower on the indulgence level than US. In terms of customer service, gives more things that are entertainment related in US and less in China.

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THE DIGITAL BUSINESS TRANSFORMATION PATHS FROM MANUFACTURER TO DIGITAL ECOSYSTEM PROVIDER - ANALYZING THE STRATEGIC OPTIONS OF LARGE CORPORATIONS TOWARDS DIGITALIZATION

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ABSTRACT

The purpose of this paper is to demonstrate that the digital transformation of large corporations follows multi-dimensional strategic pathways. Based on forty case studies, the authors analyzed the major strategic decisions of large corporations towards the digital transformation and consequently developed a multi-dimensional conceptual model. The analysis revealed that the strategic decision fields are structured along two major dimensions - the digitization of products or services and the digitization of business models. These dimensions constitute a dichotomous decision point for most large corporations, which generally follow down either path exclusively. The research suggests that it will be inevitable for large corporations to follow the two divergent strategic pathways simultaneously. Only by following down both paths, companies will ultimately be enabled to compete in an increasing digital world.

INTRODUCTION

For decades, the world’s largest corporations unremittingly optimized their brick and mortar operations and legacy business models. Industry leaders, safeguarded by economies of scale, strengthened their position by continuously improved operations. Driven by waves of efficiency innovations like lean production, six sigma or poka yoke, the leading manufacturers and service providers maintained a cutting edge over competition. Most large corporations are still thriving based on legacy business models, selling physical products to end-consumers or large industrial customers. With their traditional business model, the value creation is inevitably linked to heavy investment into physical assets and traditional distribution channels. The digital age, however, already casts a daunting shadow on the once predominant players. Most large corporations see their business model currently challenged by more efficient, digital operations, innovative products and distribution methods (Kagermann, 2015). In the light of these major strategic changes, we have analyzed multiple large corporations from different industries in order to understand if there is a systematic strategic approach towards the digital transformation. The overall aim of this research, thus, is to build a conceptual framework for the digital transformation of large corporations based on evidence of ongoing change.

DEFINING THE MAJOR TRANSITION DIMENSIONS

The digital transformation started nearly half a century ago. Yet, there is no commonly agreed definition of the term Digital Business Transformation (Fitzgerald, 2014). This research
considers the customer-visible, value-creation part of the transformation process as the nucleus of research. In contrast to cultural, or organization change, the transformation of products, services or business models can be observed directly and is thus a reliable and objective research object.

By reducing the scope of the digital transformation to the customer-visible, downstream-oriented part, it becomes obvious that at core, the major transition drivers are two-dimensional. On the one hand, there is a strategic move towards digitizing existing products and services or at least extending the product or service range by digital offerings. On the other hand, there is a strategic move towards new, digitized business models. The common ground of these new business models is that they lead to better asset-utilization by employing digital technologies. Examples are Software as a Service (SaaS) or modern Car-Sharing (Bharadwaj et al., 2013). For the purpose of this research Digital Business Transformation therefore is structured along two major dimensions:

1. Digitization of Products
2. Digitization of Business Models.

These two dimensions provide the fundamental basis for our research and will consequently be used to improve the understanding of strategic decisions in the digital transformation process of corporations. Combining the major transition dimensions, towards digitized products and towards new, digitized business models, enables us to have a holistic view on the strategic decision fields of large corporations. On the highest level of abstraction, the dimension of products and service digitization can be structured into physical products and digital (enhanced) products. The latter includes digital products, such as MP3 music, as well as digitally enhanced products, such as connected cars. Within the dimension of business models the major distinct categories are defined as classical business models, which include ownership-oriented business models and service-performance oriented business models and new digitized business models. The latter include access- and result-based business models enabled by digital technology. By combining the two continuums and dividing them into dichotomous categories, we see a four-field matrix structure as a basic framework for our model of digital business transformation.

The upper left field describes corporations, which use digital technologies to streamline and optimize their exiting value creating processes, but do not alter their product or service offering, which we consequently label as Legacy Business Optimization (Field A). The alternative positions are defined as either developing new digitized products (Field B1) or developing new digitized business models (Field B2). Companies combining both are clustered in Field C, which we summarize as Digital Ecosystem Provider. This name is based on the concept of a digital service provider, yet it is extended by the idea of providing an ecosystem instead of a pure service. A digital service provider (DSP) is defined as a company, which applies the principles of internet service delivery, meaning its delivery architecture is integrated, seamless, intelligent, automated, simple and in real time (IBM, 2014). Extending the idea of a DSP to the world of physical products and opening the business model up to third parties is what consequently can be called a Digital Ecosystem Provider. An example is Apple, which offers a range of hardware products enhanced by Digitization 2.0 Add-ons, meaning that the majority of customer value lies on the software platform, which, again, is open to 3rd party companies. Chart 1 shows the resulting Digital Business Transformation Matrix.
DETERMINING THE PATHS TO DIGITAL TRANSFORMATION

The term Digital Business Transformation includes the notion of change, which happens over time. Consequently, we should not only focus on the current state within our model but also pay close attention to the developments that large corporations make in the process of transformation. Our model suggests that companies can follow two distinct strategic paths towards this development. Assuming that companies start in a pre-digitalized state, they can either digitize their products and therefore move from field A to B1 or digitize their business models and therefore move from A to B2.

There are three major research questions resulting from this line of reasoning. First, is the path to either B1 or B2 inevitable, or can corporations decide to stay in field A as a sound strategic option? Second, is the strategic decision to follow either path A or path B really mutually exclusive, or can corporations follow down both routes simultaneously? Third, is field A really the natural starting point for corporations, or can corporations be born in either field B1, B2 or even field C?

In order to answer these research questions, the authors conducted forty case studies of large corporations. The sample was drawn from companies listed by Forbes Magazine as the 500 largest corporations globally and was based on a stratified sample representing a diverse industry mix. The case studies examine the strategic decisions of the sampled corporations towards the digital transformation. The analysis focuses on the respective starting position of a corporation, within the Digital Business Transformation Matrix, and the potential pathways, which the companies took towards the transformation process.

This case study analysis provides an insight into the strategic decision making of various industries regarding the digital transformation. It has to be acknowledged that the sample is neither representative nor exhaustive in terms of the population parameters. Since this particular research only considers companies from the Forbes Global 500 list, it might not be applicable to
small- or medium-sized companies (SMEs). Yet, there are important insights to derive from this analysis. By plotting the cumulated pathways on the Digital Transformation Matrix we can derive an illustration that explains how the majority of corporations tackle the challenges of the digital transformation. The combined Digital Transformation Matrix can be found in Chart 2.

**Figure 2**
THE DIGITAL TRANSFORMATION MATRIX WITH PATH ANALYSIS, SOURCE: OWN DRAWING

![Diagram of the Digital Transformation Matrix with path analysis](image)

* Companies can follow multiple paths simultaneously, therefore percentages do not add up to 100%

**FINDINGS**

The first part of the analysis addressed the question whether all companies follow either path of digital transformation. The data shows that there is a group of highly successful companies, which currently digitize neither their products nor their business models. Instead, these companies, stemming from such diverse industries such as insurance, petroleum refining or merchandise trading, use digital technologies to streamline their business operations, increase flexibility and reduce transactions costs. The model, however, shows clearly that the majority of large corporations are actually transitioning either their business models or their products. The latter pathway towards more digitized products is clearly followed on more frequently (65% of companies from A to B1 in comparison to 13% of companies from A to B2).

The second research question addressed the exclusivity of strategic choices. A remarkable insight, derived by this analysis, is that most companies do follow either a product-digitization-path (A to B1) or a business-model-digitization-path (A to B2) in the transformation process. The only exceptions from this rule are carmakers, which simultaneously develop digitally enhanced products (connected cars) and digital business models (carsharing). It has to be acknowledged, however, that these companies clearly separate those two paths by having different brand names (e.g. car2go, drive now) and separate legal entities for the latter form of their operations.
The third research question focusses on the starting point of corporations. While most companies in our sample have a starting point in field A (82.5%), it is important to note that there is a considerable group of companies, which started out in field B2. This group includes software companies such as Microsoft and telecommunication companies, such as Deutsche Telekom. Our research of large corporations, however did not deliver any companies born in field B2.

CONCLUSIONS

In sum, the Digital Business Transformation Matrix has proved to be a valid tool for visualizing the digital transformation progress of large corporations. It provides a framework for defining the transformation activities and thus helps to create transparency on strategic decisions made from a historical perspective. The matrix, however, can also be used by practitioners to define their strategic pathways for future activities.

Furthermore, the present analysis of large corporations has revealed some important insights into the digital transformation progress, which deserve more attention and could provide a basis for further research.

First of all, it is remarkable that only very few companies stay in field A. While these companies remain successful with their non-digital business models and non-digital products, the digital transformation will also affect their business models in the medium- to long-term. New technologies such as Autonomous driving and Decentralized Autonomous Organizations will change the business model of insurers, such as Allianz, drastically. The advance of battery technologies will threaten petroleum manufacturers, such as Shell and BP, who already started to explore new business fields. Consequently, following both paths of the digital transformation will also be a mandatory strategic decision for companies currently not active in digitization.

Another interesting insight is the fact, that none of the regarded companies started out from field B2. Extending the scope from large corporations to start-ups, however, changes the situation significantly. For those companies field B2 seems to be the natural starting points. Examples include ride-hailing company Uber, or home-sharing company AirBnB. Also, our research did not reveal any company being born in field C “Digital Ecosystem Provider”. Considering the companies, which evolved to field C, it can be concluded that their common starting point generally was in field B Digital (Enhanced) Products. The companies developed digital enhanced products first, and then consequently developed an ecosystem around them, including new business models. Therefore we conclude that there is no such thing as a company born in field C Digital Ecosystem Provider. Digital Ecosystem providers are not born - they have to be created.

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WHY RESEARCH IS IMPORTANT FOR EDUCATIONAL EXPERIENCES: AWCR AND PRESENT VALUE OF AN ANNUITY FOR PRESENTATIONS BY STUDENTS

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ABSTRACT

In this paper we examine why it is useful to have undergraduate as well as master’s students involved in research to support their educational experiences as well as promoting their career. In a 2016 interview with Hasan Pirkul, the Dean of the School of Management at the University of Texas at Dallas he indicated that research supports both learning as well as extraordinary leadership. The senior author of this paper has had students involved in writing their own research papers since 1994 and have had over 200 students coauthor papers presented at Harvard, Oxford, and Cambridge Universities. By interviewing over 200 previous students who had had papers presented at these universities it was found that the median present value of an annuity for presenting papers at Oxford or Cambridge was $560,000 and it was $280,000 for presenting a paper at Harvard University. Additional research was performed that examined the present value of an annuity for presenting papers at Allied Academy conferences and it was found that depending on the major and academy chosen that the median present value of an annuity for those presenting papers at Allied Academy conferences varied from $25,000 to over $100,000 which is similar in value to presenting papers at the Academy of Management, Academy of Marketing Sciences, the American Accounting Association, the Financial Management Association, and Informs as well as having a peer reviewed journal article published. Those who had not used the presentations to market themselves had a present value of an annuity of $0. Interestingly the present value of annuity was not found to have changed over time so whether one presented a paper in the early 1990’s or 2016 the median present value of an annuity was similar for students who had not entered academic careers. Future research should seek to examine factors which might influence the potential present value of an annuity for students such as the number of presentations, student’s majors, and the number of authors on papers. It is expected that the present value of an annuity would be substantially different for academics than for students or for students who eventually move in to academia. As the AACSB moves towards an increasing importance of the impact of research such as Age Weighted Citation Rates and the impact of individual articles as opposed to impact scores for entire journals. We do believe that it is important to publish in top journals, the variations in the impact for individual articles within journals is greater than that between journals. Alexander von Humboldt’s ideas should be used more widely in educational circles. Having published for over 30 years we have seen dramatic changes to conferences and publications such as the changing nature of proceedings over the years with vivid memories of early on including as much of papers within proceedings which often led to the removal of references while currently many journal editors desire that full papers NOT be included in proceedings to be published.
REFERENCES


INSTRUCTOR MISBEHAVIOR AND THE MILLENNIAL STUDENT: BRIDGING THE GENERATIONAL GAP

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ABSTRACT

The primary purpose of this research is to explore aspects of instructors’ attitudes and behavior that may be viewed as instructor misbehavior by millennial students, those students born between the years 1982 and 2002. Instructors communicate with students in a variety of ways that positively or negatively impact student motivation and learning. These communications are the result of a complex set of factors that include instructors’ personal characteristics, attitudes from previous experiences, intergenerational differences, and other conscious and unconscious factors. In many cases, instructors are unaware of the characteristics and preferences of millennial students; therefore instructors have not adapted and changed their teaching strategies. Instructors continue to use the traditional classroom format which does not correspond to the preferences of the millennial student. Very little of the current stream of research has considered that instructor misbehavior, as perceived by millennial students, may be caused by generational differences, as well as other factors, because a large percentage of instructors are from the Generation X (born 1965 – 1981) and Baby Boomer (born 1946-1964) generations. This generational gap has caused a divide in instructors’ teaching techniques and students’ learning styles. We review the research on instructor misbehavior, millennials; and on current technology that can be used or adapted for use in the classroom. We provide recommendations to bridge the gap between instructors of previous generations and current millennial students using current technology.

INTRODUCTION AND PROBLEM

A student’s perception of an instructor’s misbehavior can occur because instructors have not adapted their teaching strategies to the preferences of the millennial student. Since a large percentage of instructors are from the Generation X (born 1965 – 1981) and Baby Boomer (born 1946-1964) generations, a generational gap has caused certain instructor behavior and teaching techniques to be viewed as instructor misbehavior. While some students’ perceptions of instructor misbehavior are warranted, some unintentional instructor misbehavior may be caused by a generational gap because instructors are not aware of the preferences of millennial students, and of the need to change their teaching strategies. Instructors should realize that some of the methods that they used to learn, and that were used by their instructors, are no longer effective for millennial students, and may cause unintentional instructor misbehavior, as perceived by millennial students.

Oomen-Early and Early (2015) stated that one of the greatest challenges in higher education is bridging the gap between millennials (digital natives) and instructors who may be “digital immigrants” (instructors born before 1980 who grew up with little exposure to technology), who speak a language that is no longer applicable. They indicated that some scholars have argued that faculty, in general, are using techniques from the past century to teach millennial students in the 21st century.
Roberts, Newman, and Schwartzstein (2012) posited that successful teaching requires an understanding of the students’ needs, backgrounds, interests, and learning styles. They reported that there is a generational difference in today’s students and instructors because instructors are hired based on education, experience, and expertise.

Worley (2011) stated that instructors must be aware of differences between their life experiences, expectations, and technological expertise and those of millennial students. Instructors must also adjust their teaching philosophies and practices to accommodate the attitudes, motivations, and approaches to learning to those of the millennial students.

Skiba and Barton (2006) reported that millennial students have expressed preferences for digital literacy, experiential and engaging learning, interactivity and collaboration, and immediacy and connectivity. They indicated that digital literacy includes being more comfortable with images than with text, or with knowledge gained immediately from the internet than with knowledge from a textbook. Millennials view computers and technology as an intricate part of life, not tools to be utilized in certain cases. Although some instructors from the previous generations may have knowledge of technology and some characteristics similar to millennials, this is not true in many cases. Some instructors are continuing to use the traditional classroom format, such as a major emphasis on lecturing, which does not correspond to the preferences of the millennial student.

Many research papers have been written about millennials and their characteristics. However, very little of the current stream of research has considered that instructor misbehavior, as perceived by millennial students, may be caused by generational differences, as well as other factors. This generational gap has been caused by instructors from previous generations, primarily the Generation X (born 1965 – 1981) and Baby Boomer (born 1946-1964) generations.

For this paper, we review the literature on research studies involving instructor misbehavior, and research studies on millennial students, including the characteristics and preferences of the millennial student. We provide recommendations to assist instructors in revising, adapting, or changing their teaching strategies to accommodate the millennial student. This paper contributes to the body of knowledge by providing recommendations that will bridge the generational gap between millennials and the previous generations of instructors that will reduce the millennial students’ perceptions of instructor misbehavior. This research will also provide a basis for further research that will study instructor misbehavior, toward millennial students, as perceived by the Generation X and Baby Boomer generations of instructors.
SKILLS EMPLOYERS SEEK IN ANALYTICS-FOCUSED HIRES: IMPLICATIONS FOR BUSINESS SCHOOLS

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ABSTRACT

The unprecedented growth of data available and the velocity at which it is collected has created a greater need for companies to seek employees who are able to use data and turn it into meaningful information that can be used to optimize management decision-making. Companies are viewing analytics and employees who can create and use them as essential for creating value. Analytics, however, is not a singular activity. Rather, it is focused on merging data from disparate corporate silos so that companies can maintain a competitive advantage.

Companies today are seeking employees who understand the business domain in which decisions are made and who possess depth and breadth of understanding of the analytics to optimize decisions. But the reality is the demand for individuals grounded in analytics, particularly in data mining and predictive analytics, and with a solid foundation in a business discipline far exceeds the supply of graduates. Organizations who want to use analytics to gain competitive advantage are increasingly challenged in finding qualified talent (Harbart, 2013). Forty percent of respondents in a recent survey reported difficulty in attracting people in analytics and the same percentage said they struggled to retain analytics hires (Ransbotham, Kiron & Prentice, 2015). There are many drivers creating an urgent need for analytics skilled employees. Some of these include: (1) the continual exponential growth in structured and unstructured data, (2) the need to be able to draw competitive insights from data, (3) advances in analytics software and platforms, (4) the lack of skills in current employees for dealing with the complexities of big data, (5) increased demand to create and deploy predictive models that will lead to competitive differentiation, (6) increasing need for data security, scalability, and mobile-enabled tools, and (7) a need for employees who can translate data analyses into actions (IBM, 2015; Connolly, 2012; Loshin, 2012; eWeek, 2011; Shegel, 2015).

One question facing all companies is what skills, knowledge and abilities should be sought in applicants for an analytics position. Job postings on LinkedIn for analytics positions in the United States were examined to determine the common skills sought by employers. There were more than 70,000 job postings on LinkedIn for analytics positions on June 5, 2016. These job postings were then culled into two categories that reflect the job prospects for new college graduates: (1) entry level (candidates with a baccalaureate degree) and (2) associate level (candidates with a master’s or more advanced degree). A systematic sample of 150 of the postings sorted by relevance was taken. While the educational requirements were broad, i.e., rarely was a single discipline required, more than four-fifths of the positions listed mentioned specific degree requirements. A Bachelor’s Degree in Statistics, Business, Math, Finance, Economics, Marketing Research or other quantitative oriented fields was required by 45% of job postings. Employers sought a master’s or more advanced degree in Computer Science, Mathematics, Statistics, Quantitative Management, Econometrics, or in Business with a heavy analytics focus or the equivalent in training/experience in 37% of the job postings. The analysis resulted in two broad categories of skills required by employers: (1) Technical Competencies, to include software development/programming, statistical knowledge, quantitative analysis, and the
ability to use a variety of analytical, statistical and modeling tools, and (2) Personal Traits and Abilities (to include communication skills, collaboration/team skills, ability to present analytical insights in an understandable way, creativity, curious nature to solve problems, etc. It should also be noted that domain expertise was pervasive throughout the jobs posted as companies expected candidates to have knowledge in the business and/or industry area identified for the position.

While colleges and universities are beginning to prepare future business graduates with advanced analytics skills and abilities as well as possessing business acumen, the talent gap will not be filled overnight. Companies must be clear about what skills, knowledge and abilities are needed in analytics employees; and colleges and universities must work as a partner with corporations to prepare the next generation of analytics professionals. Colleges and universities must also provide continuing education and training to those already in analytics positions as the skills needed by analytics professionals five years ago will not be the skills required five years from now (Tubbs, 2014).

REFERENCES


A COMPARISON OF INDUSTRY AND FACULTY PERCEPTIONS OF TOPIC IMPORTANCE

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ABSTRACT

Collaboration between industry and academia has become an important issue for business schools. This collaboration manifests itself when faculty is asked to work in partnership to create a curriculum that serves both students and industry. Unfortunately, the curriculum topics considered to be most important by academia are not necessarily the same as the topics that are important to industry. While academia’s primary objective is to provide business students with a broad range of skills and experiences that will serve them throughout their entire careers, industry often seeks specific skills to meet its current requirements. Therefore, academicians should be interested in identifying those topics in which significant disagreement exists and the development of a resolution strategy.

We compare data from (Evans, 1996) and (Weinstein et al., 1998) to that of follow-up surveys to examine these differences. We find that the preferences of both parties change over time. Our empirical evidence supports the benefit of collaboration between academia and industry. However, it also suggests that neither party should assume it necessarily will have a better perspective in all cases.

INTRODUCTION

Representatives of academia and industry struggle to define the nature of their relationship relative to curriculum development. Should academia remain independent or follow the lead of industry? One argument is that because industry hires business school graduates, it is better qualified to determine the competencies students will need in order to compete successfully in the job market (Plice & Reinig, 2007). A counter argument is that while industry seeks specific skills to meet its immediate requirements, business schools are more qualified to provide students with a broad range of skills and experiences that will serve them throughout their entire careers (Azevedo et al., 2012). The unique value of the university business school lies not in the disseminating of specialized content to meet industry’s predetermined needs, but in its ability to teach students to relate and utilize their knowledge through the cultivation of creativity and problem-solving skills (Chia, 2014). Thus, academia faces the challenge of finding an appropriate equilibrium between these competing viewpoints. Faculty has the responsibility to provide a curriculum that addresses the needs of both students and industry – both important stakeholders of the higher education system (Weinstein & Sanders, 1997).

We focus on the topic of quality management as the basis for our study to address the evolving relationship between the perceptions of topics important to academia versus those essential to industry. Since the entire business curriculum is too broad to permit a comprehensive comparison, we have limited our study to what we believe is a representative field which is both interdisciplinary and significant. However, consensus between academia and industry in regard to the selection and importance of quality management topics is elusive. Weinstein et al. (1998) identify a significant gap between those topics that industry identified as important for recent business school graduates and what the curricula of higher education stressed.

We operationally define the term gap as a significant difference in the preferences for specific topics of interest between two groups. Figure 1 illustrates the six gaps that our study addresses. The reader will note that these comparisons used to reveal gaps in preferences occur between different groups during a specific point in time (gaps one and two), within the same group over time (gaps three and four), and between different groups at different times (gaps five and six). The specific questions we address are:
on which topics do we find statistically significant differences between faculty and practitioner preferences when comparing the original results reported in Evans (1996) and Weinstein et al. (1998) with those of our two follow-up surveys (gap one versus gap two); on which topics does academia report a level of importance in the follow-up survey that differs from those reported in the 1998 baseline survey (gap three); on which topics does industry report a level of importance in its follow-up survey that differs from those reported in the 1996 baseline survey (gap four); and from comparing preferences identified in the baseline faculty survey with those of the follow-up practitioner (gap five), and from comparing preferences identified in the baseline practitioner survey with those of the follow-up faculty survey (gap six), can we conclude whether academia has moved towards earlier industry preferences or has industry moved towards earlier faculty preferences? The answer can be logically inferred from the comparisons to imply where industry has led and academia followed, and from where academia has led and industry followed. The literature argues both sides of the issue of whether academia should play the primary role in curriculum development or follow the recommendations of industry.

**Figure 1**

COMPARISONS OF SURVEY RESULTS

![Diagram showing comparisons between survey results](image)

**RESEARCH METHODOLOGY AND RESULTS**

We utilize a subset of topics from Evans’ (1996) practitioner survey and Weinstein et al.’s (1998) faculty survey results to establish a baseline for comparisons to the results from the later Baldrige and Higher Education surveys. The 22 topics are divided into categories of Customer Orientation, Practical Knowledge and Applications of TQM Tools, Fact-based Decision Making, Understanding and Improving Work as a Process, and Team Orientation. We use Welch’s t-test to compare the surveys’ results. This approach is appropriate because of unequal sample sizes and because we cannot assume that the variances of these two samples are equal. Analysis 2 contains the results that we will refer to as our Baseline Faculty versus Practitioner results. This addresses the question of whether faculty and practitioners initially had different perceptions of importance for topics within the categories listed above (gap 1). In seven of 22 comparisons, we find statistically significant differences ($p \leq 0.05$) in faculty and practitioner perceptions of the importance of these topics. We also determined the correlation between faculty and practitioner perceptions of topic importance using Spearman’s rho and found it to be statistically insignificant ($r = -0.232, p = 0.343$). Both these results suggest that faculty and practitioner perceptions of topic importance may have been systematically different and not positively correlated.

In order to investigate how faculty and practitioner perceptions may change over time, we use two follow-up surveys: the Baldrige Survey and the Higher Education Survey. We again use Welch’s t-test to compare the results of the two surveys (Analysis 3). We find statistically significant differences (p
≤ 0.05) in faculty and practitioner perceptions of topic importance in only three of 22 comparisons. We also look at the correlation between the faculty and practitioner perceptions of topic importance using Spearman’s rho and found a marginally significant correlation between the two samples (r= 0.359, p= 0.099). These results suggest that faculty and practitioner perceptions of topic importance may have become more similar and positively correlated with one another during the period since the original surveys were conducted, closing what we refer to as gap one. Gap two clearly is smaller than gap one. These results lead us to the important question of whether the perceptions of topic importance of one or both groups have evolved. We address this below.

We first compare the results from the 1998 faculty baseline survey with the responses from the later Higher Education Survey in order to evaluate gap three. We find statistically significant differences (p ≤ 0.05) in only three of 22 comparisons (Analysis 4). This suggests that faculty’s perceptions of the importance of Customer Orientation, Practical Knowledge and Applications of TQM Tools, Fact-based Decision Making, Understanding and Improving Work as a Process, and Team Orientation did not change at a statistically significant level from the earlier survey to the later since 19 of 22 topics did not differ significantly. We next compare the practitioner baseline survey results with responses from the Baldrige Survey in order to evaluate gap four. We find that one of 22 comparisons is statistically significant. This suggests that practitioner’s perceptions of the importance of the topics did not change at a statistically significant level from earlier survey to the later (Analysis 5). We then compare the 1998 faculty baseline survey results with the practitioner responses from the later Baldrige Survey. We refer to this as gap five. We find that in only four of 22 comparisons are differences statistically significant (Analysis 6). This suggests that faculty’s 1998 baseline results are similar to the results reported in the later Baldrige Survey. This describes the nature of gap five. Last, we compare the results from the 1998 practitioner baseline survey with those from the later Higher Education Survey. We refer to this as gap six. We find that six of 22 comparisons show differences that are statistically significant (Analysis 7). Of these, four occur in the category of Team Orientation as contrasted with five significant differences in Gap One. We can observe that in this category, little movement occurred in preferences for either group.

**DISCUSSION**

Our paper addresses the important question of which party should direct the development of business school curricula. Should industry play the primary role or should academia? Although the literature supports both arguments, there is scarce empirical research that addresses the effectiveness of either conclusion. While it might appear to be intuitively obvious that industry should be in the stronger position to understand its own requirements, our analysis suggest that we cannot assume it consistently recognizes emerging business trends before academicians.

Our analysis is confined to a narrow but critical portion of the business curriculum: quality management. Quality management often is taught within an operations or supply chain management class although it also may be offered as a stand-alone course. Our survey results are limited to topics considered to be part of the quality management body of knowledge and we do not assume that the conclusions drawn from these results may necessarily be applied to other topics within operations management or in other fields in the business curriculum. Nevertheless, the results should foster interest in future research to determine the level of external validity in our conclusions.
The comparison of data from Evans (1996) and Weinstein (1998) confirms the significant difference between faculty and practitioner perceptions of the importance of quality management topics at that time. What we refer to as gap one shows eight of 22, or 36.36 percent of comparisons exhibit differences that are statistically significant (p ≤ 0.05). This data enables us to establish a baseline for comparisons to data from our two follow-up surveys.

Using results from the Baldrige and Higher Education surveys, we observe that much of gap one has closed in the years since the baseline surveys. We find only three of 22 or 13.64 percent of comparisons exhibit differences that are statistically significant (p ≤ 0.05). We also observe that the insignificant but negative correlation calculated using Spearman’s rho with the baseline data (r= -0.232, p= 0.343), now has improved to a significant and positive correlation (r= 0.359, p= 0.099). These results suggest that faculty and practitioner perceptions of topic importance may have become more similar during the period since the original surveys were conducted. Thus, gap two is far smaller than gap one.

Figure 2a illustrates the relationships between faculty and industry preferences using data from the baseline surveys. Figure 2b illustrates those relations using data from the follow-up survey. Points in the upper right and lower left quadrants represent topics on which the two groups tend to agree regarding significance. Points in the upper left and lower right quadrants represent topics on which the two groups tend to disagree regarding significance.

Gaps three and four reflect the changes over time of faculty and of practitioners. For gap three, we find statistically significant differences (p ≤ 0.05) in only three of 22 comparisons for faculty. For gap four, we find a statistically significant difference (p ≤ 0.05) in only one of 22 comparisons for practitioners. This brings up the question of how the faculty/practitioner comparisons could change so much over time when each group individually shows so little change.

We investigate gaps five and six to resolve this question. Only four significant differences in preferences appear in the comparison of faculty baseline survey results versus practitioner follow-up survey results (gap five). Six significant differences in preferences appear in the comparison of baseline practitioner results with results of the follow-up survey of faculty (gap six).

Analysis 8 summarizes our results by category of quality management topic. It provides some insight into what our numerical results demonstrate. The results from the baseline surveys (Analysis 2) show that the categories with significant topic differences were Customer Orientation with two, Fact-Based Decision Making with one, and Team Orientation with five. The results from the follow-up surveys (Analysis 3) show that the number of topics with significant differences has been reduced to one for Customer Orientation and two for Team Orientation. When we next compare faculty results from the baseline survey to the results from the faculty follow-up survey, we see one significant difference for customer orientation, one for fact-based decision making, and one for understanding and improving work as a process. When we compare practitioner results from the baseline survey to the results from the practitioner follow-up survey, we see only a single significant difference for Practical Knowledge and Applications of TQM Tools. Curiously in both groups, there are no significant differences for team orientation. How could the five significant differences in the baseline surveys for team orientation have been reduced to only two when neither group showed a significant difference within itself? In the
category for Team Orientation, originally faculty preferences were much lower than those for practitioners. However, in the follow-up surveys, we see faculty preferences have increased while practitioner preferences have lowered. Each group has moved closer to the other. We see similar behavior with Customer Orientation (listening to the voice of the customer) where an initial significant difference shown in the baseline survey (Analysis 2) disappeared in the follow-up survey (Analysis 3) while neither faculty nor practitioner changed significantly (Analyses 4 and 5).

Analyses 6 and 7 provide further insights. For example, in the category of Customer Orientation (identifying customer) we observe that neither group has changed over time. The significant difference remains. Conversely, in the category of Practical Knowledge and Application of TQM tools (design of Experiments), the initial significant gap between faculty and practitioners found in the baseline survey, has been eliminated through the movement of practitioners. We observe the opposite case in Fact-based Decision Making (root cause analysis) where the preferences of faculty have moved towards those of practitioners.

These observations point to the conclusion that neither group can be said to have consistently led over the time period between the baseline and follow-up surveys. Rather, what we observe is that in most cases, each group has moved closer to the preferences of the other. Sometimes one will lead. Sometimes the other and sometimes both will move. With this understanding of the nature of change, we can address how best to move forward with curriculum development.

Our empirical evidence supports the need for further collaboration between academia and industry. However, neither party should assume it necessarily will have a better perspective in all cases.
THE IMPACT OF CONTINUOUS ASSESSMENTS ON ACADEMIC PERFORMANCE: A REVIEW AND SYNTHESIS

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ABSTRACT

The academic literature is replete with the term “assessments”. Most of the papers are focused on different types of assessments and their impact on students’ achievements, measured either by learning of a subject content or exam scores as proxies for performance. The aim of this paper is to locate the roles of continuous assessments of subject content, measured by scores in final exams or by other assessment items that are dependent on continuous skills developments (e.g., assignments).

The paper uses a literature search of two related terms, “assessment” and “performance” and reviews the related keywords and concepts that exemplify academic achievements in different subjects, predominantly taught in higher education institutions. The key finding of this paper is continuous assessments improve students’ academic performance most of the time through engagement in learning and related activities.

The study has implications for incumbent academics willing to learn the strategies to improve students’ engagement and learning of subject content and ultimate success in studies. The study also has implications for institutions willing to improve retention of students in subjects perceived as difficult (measured by high failure rates) or subjects that are heavily problem oriented such as statistics, finance or accounting.

Keywords: continuous assessment, formative assessment, summative assessment, academic performance, higher education.

INTRODUCTION

Assessment in higher education is an integral part of subject delivery. It is defined as an instrument aligned to a course or programme’s intended learning outcomes and so is a means by which learning goals or expectations can be measured and monitored (Biggs, 1999). The QAA (2006) describes assessment as “any processes that appraise an individual’s knowledge, understanding, abilities or skills” (UK Quality assurance agency). There are a variety of assessment techniques, for the purpose of this paper, we use two distinct terms: formative and summative assessments. Within these two there are variations such as homework, self-assessment, group quizzes and these can be used as both formative and summative tests. Formative assessments are optional assessments that carry no reward, provide feedback to students’ progress with learning and are thought to improve students’ preparedness and performance in summative assessments (Marriott & Lau, 2008). Whereas summative assessments are compulsory, carry rewards for attempts and an integral part of any subject or degree and provides little opportunities to work on students’ deficiencies in taught materials (Marriott & Lau, 2008) and it is an assessment for learning (Carless, 2007). Both types of assessments can be used alone or in combination to
maximize students’ learning and achievements (Lewis & Sewell, 2007; Marriott & Lau, 2008).

Assessments serve many purposes in any learning environment such as evaluation, feedback, motivation and student learning (Rust, 2004), it can promote learning (Nicol & Macfarlane-Dick, 2006), and can provide feedback to many stakeholders including teachers, students and faculty managers (Vos, 2000). The key objective of any form of assessment is an institutional requirement to award grades to the students and to allow students to graduate from an educational institution. However, the process is not simple as the learning journey lasts for at least ten weeks and throughout this journey, students are not always active learners. So the challenge to any academic is to engage students to course materials and then assess them. In this paper, emphasis is placed on formative assessment in the sequence of continuous assessment as it is the assessment for learning that prepares students for the assessment of learning (summative assessments). The paper assumes the linear sequencing of assessments as: formative, summative, and end of term assessments (formal exam at the end of a subject). When sequenced this way, it is believed students will follow the set pattern, study, prepare and attempt all assessments.

The key aim of this paper is to locate the role of continuous assessments of students’ academic performance. Studies examining the impact on academic performance of numerous variables are plenty. It is a daunting task for any academic to find the niche of the literature that has examined least expensive, least time consuming yet effective fixes to address student retention, learning experience, and subject learning outcomes from teaching interventions. There are reviews of assessments and their impact on academic performance in an online learning environment (see for example, Gikandi, Morrow, & Davis, 2011). However, none exists, to this author’s knowledge that addresses the direct link between continuous assessments and academic performance, measured by grades in a subject. This paper addresses this gap by a brief review of focused studies in the area identified above. The remainder of the paper is structured in the following sequence: methodology, the review, discussion and conclusions.

THE METHODOLOGY

The design of this review qualifies for a hybrid of a traditional and a systematic review of literature in that the systematic search terms are used but the review follows the traditional approach. In order to conduct this review, search terms such as assessment, formative assessment, summative assessment, performance, academic performance are used and then only two search terms are combined: “assessment” AND “performance”. Authoritative databases such as ABI-INFO Global, Google Scholar, Scopus, ERIC are searched and only ten peer reviewed publications are selected for this review because these papers substantially contained both terms. The review below is based on these ten papers. Consideration is given to recently published or open access journals (Gikandi, et al., 2011). For the purpose of this review papers published after 2007 are used. The review below summarizes the key areas of each paper: the context, the research question, the methods employed, the key findings and the implications (cf. Gikandi, et al., 2011).
THE KEY STUDIES

Based on the criteria for review, the studies included papers published predominantly in USA, Australia and South Africa. The papers are drawn from the sciences, medicine and social sciences.

Perera, Lee, Win, Perera and Wijesuriya (2008) examine the relationship between formative feedback through summative tutorial-based assessments and student performance. The study uses students’ exam performance as a measure of effectiveness of two types of assessments, formative and summative. The study is based on a second year finance undergraduate subject at an Australian university. The study uses 580 useable samples (703 original samples) and uses a cross-sectional regression to test the effect of tutorial attendances and contributions (a summative assessment) and scores in a final exam and an assignment. The assessment in the subject consisted of 20% mid-term exam, 10% tutorial based summative assessment, and a 70% final exam. The key objective of the study was to examine the impact of the tutorial based summative assessments on academic performance, measured by the scores in the mid-term and the final exam. The study finds that formative feedback through summative tutorial based assessment has improved students’ performance measured by marks in the mid-term and the final exam. The contention is the students changed their attendance, attitudes and learning behavior from the forced engagement in tutorial activities. The changes in the assessment activities in turn improved the performance from the engagement in the assessment activities. The study reinforces the need to incorporate feedback through formative assessment throughout a subject to effect class attendances and participation.

Collett, Gyles, and Harsky (2007) examine, among other things, the relationships between optional formative assessments (on-line multiple choice quizzes) and success in summative assessment (mid-term, in class tests, tutorials, online homework, assignments, final exams etc.) tasks. The study uses samples of students enrolled in a management accounting course at the University of Tasmania, Australia. The sample comprises 94 students (68 useable) and the assessments comprise eleven optional no credit formative assessments (10 quizzes each) followed by three weekly assignment weighing 10% each and a final examination weighing 70%. The formative assessment items included weekly online quizzes through Web-CT teaching delivery platform and some of the quizzes were set in the final examination. The study examines two hypotheses: formative assessment would help to explain summative assessment results, and tutorial attendance would help students’ performance in the subject. The study finds formative assessment opportunities enhance performance in summative assessment items. The improvements in performance are attributed to students increased use of formative quizzes to prepare for the final examination questions.

Liebler (2003) examines the use of frequent testing on students’ performance in a quantitatively demanding subject in a US university. The sample comprised 70 students. The use of five-minute quiz is based on a single problem and only one multiple choice question based on that problem. The quizzes weighed 20-25% of the course grade. The assigned problem is solved along with other homework problems before the quiz is offered to the students each week. The key objective of using this form of formative assessment is to encourage students to come to the class prepared and learn as much as possible
from each class sessions. The quizzes are aimed to serve both purposes of learning and achievement from a subject. The study reports students’ who are self-motivated to learn performed better than students who are not so motivated to learn the subject material.

Johnson and Kiviniemi (2009) examine the effectiveness of online chapter quizzes on exam performance in an introductory social psychology course in a university in the US. The subjects comprised 157 students (57% women) and included students from all four years of the undergraduate program. Students are asked to pre-read the chapters and take the online quizzes based on ‘mastery of learning’ approach. The quizzes (eight in total) accounted for 6% of the total course grade, and comprised 10 multiple choice questions from a bank of 25 questions. The online quizzes are offered through web portal and were randomized. The other assessment items include a final exam (60%), assignments (30%), and class participation (4%). Students who did not pass the quizzes, that is, failed to get 100% correct answers in any quiz did not receive any credit for their attempts. The study finds a positive relationship between the number of completed quizzes and marks in three other assessment items. The study also finds students performing significantly better in questions that were based on assigned reading material (8 out of 13) than from non-assigned reading material (5 out of 13). No significant performance difference is observed in questions drawn from non-quizzed chapters. The study implies the importance of summative online quizzes that played a formative role in improving learning, engagement and mastery of content in a subject which in turn contributed to improvements in other summative assessment items sequenced later in the semester, that is, the assignment and the final exam.

Brown and Tallon (2015) draw on the earlier works of Johnson and Kiviniemi (2009) and is extended it to a statistics course. The paper examines if pre-lecture quizzes help reduce students’ anxiety and hence improve test performance. The sample comprised 70 students (81% female) from two sections of an introductory statistics course. The subjects are divided into a control (n=36) and a treatment (34%) group for comparisons. Assessments comprised 10% in pre-lecture quizzes (treatment group) and 10% for class participation (control group) and a common final exam (70% weight) and five common homework assignments (20%) for all students in two groups. The study finds significant difference (p<0.01) in overall exam performance, measured by the common assessment scores, between the pre-lecture quiz and the no-quiz group. The study also reports self-reported anxiety reduction, improved preparedness of the students in the quiz group and increased engagement with an anxiety arousing subject (Pan and Tang, 2005 cited in Brown and Tallon, 2015).

Wooten & Dillard-Eggers (2013) empirically examines the relationship between online homework (10-16% assessment weight) and students’ exam performance in two accounting subjects, a principle of accounting subject and a principle of managerial accounting subject. The study is based on 453 students in 16 classes taught by eight different instructors in a university in the US. The sample is divided into (a) required homework group (n =225, seven sections) and (b) recommended homework group (nine sections, n= 228). The study finds that students required to completing the online homework performed better than the control group (homework recommended group). The contention is the students who are reluctant to complete homework in pen and pencil participated in online homework which in turn improved engagement and hence performance in the subject. The second contention is the effort enhancement through engagement of good students in
online homework who would perform well regardless of the mode of assessment items, that is, the homework. The study further recommends the diversity and variations in assessment tools and techniques to cater for diverse student needs in an attempt to improve students’ performance in a subject.

Brown, Bice, Shaw, & Shaw (2015) examine the relationship between mandatory online review quizzes (formative quizzes) and subsequent performance in in-class summative assessment items. Students are asked to complete review quizzes after the completion of lectures but before the in-class tests on the lecture material in two consecutive semesters but not required in the following two semesters of the offering of the subject. The sample comprised 111 students in spring and fall semesters of 2011 (treatment) and 123 students in the same semesters of 2012 in a US university. The 2011 cohorts had online review quizzes whereas the 2012 cohorts did not have online review quizzes. The scores in class tests were higher in 2011 than 2012. The scores in mid-term in 2011 were higher than scores in the same examination in 2012, suggesting the beneficial effect of online review quizzes on subsequent exams. However, the scores in the final examination in 2011 (quiz year) were not statistically different from 2012 scores (p = 0.74). However, when mid-term and final exam scores were pooled, overall marks between the quiz group (2011 cohorts) and non-quiz group (2012 cohorts) did not have any statistically significant difference (p = 0.08). Thus, the key finding is exam scores differ inconsistently between the quiz and the non-quiz years.

Hill (2016) introduces another variant of summative assessment, self-assessment that has the attributes of both summative and formative functions. The contextual study is based on a third year taxation module within an undergraduate accounting program in a South African university. The sample comprises 561 students from academic year 2012. The assessment comprised six class tests, three of which were assessed twice, once as interventions and again by the instructor in charge. The assessment duplication was used to build students’ life-long skills of judgement and self-appraisal about their own capabilities, measured by a survey follow the completion of the self-assessment tasks. The intervention is based on ‘constructivist’ approach to learning where both the academic and the students are involved in the learning process (Lawson et al., 2012). The key aim of this intervention is to improve students’ self-beliefs about the value of self-assessment with an aim to improve academic performance in the subject. The key findings of the survey suggest students like to engage in self-assessment activities in any learning environment and prefer to have some exposure to self-assessment in any subject. The study also finds students using self-assessment activities improved their performance in the final exam in the subject. The study validates the conclusions reached in other prior theoretical subjects in the scientific and psychology fields. The self-assessment exercise is perceived as part of a continuous improvement initiative through the lecturer’s interventions and regarded as a highly valuable tool for lifelong learning.

Pacharn, Bay, & Felton (2013) examine the use of a flexible assessment system (summative exams) that is motivating, attitude changing leading to improved academic performance. The study uses 84 students in the control group, 52 students in the Flexible early (FE) group and 69 students in the Fully Flexible (FF) group. The study finds that allowing students to self-regulate their learning to suit their own style of learning and assessment weight allocation improves motivation, attitudes and grades in the subject. Students who chose their own grading early in the semester (FE group) scored significantly
lower than the students who were allowed to choose the grades late in the semester (FF group) or close to the final exam. When students commence their studies, they do not realize their own weaknesses and strengths. With the passage of time, some of them are capable of realizing their potential. By allowing students to choose their assessment weight, they can adjust their study approaches through a self-regulation process. This is one of the studies in assessment that is unique in that students are allowed to take part in the assessment decisions that used to be in the instructor’s territory.

**DISCUSSION**

Majority of the studies in this review have examined academic performance as a function of mediating or moderating variables. The current review is a synthesis of a niche of studies that assume the improvement of academic performance caused by a direct or limited number of mediating/moderating variables. The studies have revealed a typology of assessments in practice: formative-non-credit, formative-credit, summative exams and revealed that formative credit assessment items (quizzes, homework, self-assessment items, and pre-lecture quizzes) have the highest linear sequential impact on summative assessments.

The use of formative assessment in the suite of assessment is found to have motivational effect and at times coercive effects on students’ learning. Formative assessment is found to have been used in isolation, as an embedded assessment or as a continuous assessment with other concurrent assessments. Regardless of the use of formative assessment items, the instructors in these studies were successful in disseminating the ideas that engagement in learning is a key to success in higher education.

The motives for inclusion of formative assessment within the continuous assessment process are also found to be at the very early stage of a course. When used this way, formative assessments engaged students in their learning process. The engagement ranged within a continuum of minimal engagement to maximum engagement. The continuum is generally associated with the nature of the students, their prior educational background such as entry level qualification required in an institution, their current GPA and performance in similar subjects, teachers’ teaching strategies, teaching experiences, and the gender of the students.

The success of formative assessment within the continuous assessment is driven primarily by the grade incentives. Majority of the studies reviewed above used formative assessment as a summative assessment in that completion of these was required for achieving the grades in the subjects studied. Where the formative assessment items are optional, students either did not participate or did not use the full benefits of feedback. Majority of the studies reported that the students benefited from the use of formative assessment items and their grades improved in other assessment tasks. These assessment tasks are set towards the end of the semester. One of the reasons may be the time required to grasp the concepts and ideas and other learning materials and apply these to the heavily weighted assessments.

The papers implicitly assume that formative assessments are continuous and are set at the beginning of a subject so that students can learn and reflect from the feedback from online portals (automated feedback) or from their instructors. With the advent of technology, online instant feedback is a default choice though some papers revealed the traditional pen and pencil feedback. In his decade long teaching with technology, the
author of this paper found it difficult to provide effective and meaningful feedback to the
students. Thus, one of the shortcomings of these studies is the provision of meaningful and
constructive feedback to the students that can enhance students’ understanding for
subsequent assessment items. Given the reforms in the education sectors in different
countries, it is quite challenging to academics to spare their valuable time and attention to
offer feedback on numerous attempts and to tailor the detail of feedback to students with
different academic needs.

CONCLUSIONS

This paper is a review of the literature on continuous assessments and their impact on
academic performance, measured by grades in a subject or other assessment items that
follow the continuous assessment items. The initial expectation is continuous assessments
will engage students in studies, will provide opportunities for reflection and feedback
through the learning journey and improve their performance in any subject. Only a
handful of theoretical and empirical studies are found that has examined the direct link or
indirect link between continuous assessments and academic performance. Only one study
showed mixed results, that is, some summative assessment scores lower than other
summative assessment scores following the formative assessments. So the major
conclusion of this review is continuous assessments, mainly formative assessments,
improve performance in summative assessments and in most cases, further the summative
assessments are, the greater the improvements in academic performance and vice versa. A
multitude of factors may be responsible for this causal association, the maturation
process, the content of a subject, the nature of the student, the learning environment and
support, and the discipline area (e.g., sciences, humanities or psychology).

The paper contributes to the current body of the literature on assessment and
pedagogy in a number of ways. Unlike most studies where multiple independent variables
are used to determine academic success, this paper is narrowly focused on studies that
have either direct effect or effect of minimal number of other variables, on academic
performance. The evidence presented from the review here may be useful to academics keen
to improve their teaching performance within a short period of time as minimal intervention
strategies will be required if the synthesis of this paper is followed. In an outcome based
learning environment, universities thrive on student intake and graduate success. The
evidence presented here has provided insights and directions to institutions and academics
willing to address the retention, student learning experience and pedagogical issues. Other
measures are possible but may not be plausible due to fund constraints and logistics of
any academic institution such the acquisition and management of a learning management
system, provision of adequate teacher/student ratio and other expensive peripheral support.

The paper has a number of limitations. It is based on a small number of recent
studies on assessment. Publications appearing in scholarly journals for at least two decades
may better inform the pattern of usage of continuous assessments and their impact on exam
performance. The review does not follow a systematic review of the literature due to the
small number of available papers. The papers reviewed are biased towards subjects in the
sciences. More papers from other disciplines may be used and reviewed for comparison and
for improving the validity and reliability of the conclusions reached here. The review is a
subjective account of the empirical studies. Meta analytic procedures may be used to improve
the reliability and validity of the conclusions reached here.
REFERENCES


FROM MASS MARKETING TO A NICHE STRATEGY:
THE EVOLUTION OF ONLINE DATING SITES

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ABSTRACT

This paper traces the evolution of online dating sites from the first site in 1995 through today, more than 20 years later. There are more than 2,500 online dating sites in the United States, with 1,000 new ones opening up each year. The success rate for these startups is a dismal 1% (Zwillin, 2013). To be successful in this oversaturated market, savvy entrepreneurs have to differentiate new online dating sites from established ones. To do that, the newer sites are increasingly targeting niche markets. By segmenting, and then targeting specific niches, these sites can offer extremely specialized services not available on mainstream online sites. The three most popular segments to target are religious dating, ethnic dating, and senior dating. Each of these segments has specific needs that are not completely addressed by mainstream sites. Other more unique niche strategies target singles who are incarcerated (LoveAPrisoner.com), have a mental illness (NoLongerLonley.com), or are actually married and looking to have an affair (AshleyMadison.com). The purpose of this paper is to take a look at how online dating has moved from a generalist approach to a more specialized niche marketing strategy in order for the newer sites to survive and differentiate themselves. Other trends are explored, including the increase in fraudulent profiles and scammers who troll these websites looking for prey (Laird, 2012). The area of online dating is not new, but there is little research that has been done from a marketing strategy perspective and there are many areas left to explore. This paper concludes with some suggestions for future research to better understand this billion dollar industry. These suggestions include understanding the changing platforms consumers use to access the Internet, moving from desktop to laptop, to mobile devices, and how this has affected online dating as well as the methods used by websites to produce “matches” from basic searches to sophisticated algorithms. Other areas of interest are to explore the personal branding strategies daters use and comparing cross-cultural differences in online dating sites and expectations by user groups.

INTRODUCTION

Before the World Wide Web existed, online dating was accomplished through the use of chat rooms, bulletin boards and instant messaging through services such as America Online and Prodigy (Lee, 2016). The first real Web based Internet dating site began operations in 1995 and was called Match.com. Today, more than 20 years later, this online site boasts nearly 25 million registered users in 60 countries and hosts websites in 18 different languages (Onlinedatingsitesreviews.com, 2016). The site caters to a very general audience, but allows users to specify race, religion, education, income level, and a variety of lifestyle questions in order to improve the matching process. While the number of daters online at any given time is enormous, and might appear at first to be a benefit to users, it has become a source of complaint as well. With so many users on a website it is more likely to have scammers and hackers hiding behind fake profiles. In 2015 the Better Business Bureau received over 4,000 complaints about online dating sites and put out a notice warning consumers to beware of scammers. The name “Catfishing” has been used...
to describe what these scammers do, post fake profiles and hope to bait big fish. (Williams, 2015).

Friend Finder, founded in 1996, is another top rated general online dating site that is still active twenty years later. LavaLife, founded in 1997, is also still in operation with 15 million users and has a unique feature allowing its users to create several profiles to fulfill different needs. In one profile a user can self-identify as shy and reserved, and in a separate profile create an exuberant and outgoing personality. Different hats for different days. For the most part the online dating sites of the 1990’s and early 2000’s offered basic search engines for a mainstream dating audience. In 2000 eHarmony was launched with an innovative matching system that is so complex it was granted a U.S. Patent (Konrad, 2004). As a result, competing online dating sites offered their own algorithms to match online daters, with mixed results.

The proliferation of mass marketed online dating sites continued, and today the market is oversaturated with more than 2,500 online dating services in the United States alone (Zwilling, 2013). Competition is fierce, and often hostile with 1,000 new ones opening each year in the U.S. Adding to the challenges of the competition, Mashable.com estimates online dating fraud rose 150% in 2012 with scammers and predators flooding online sites (Laird, 2012). On August 19, 2015 it was revealed that the extra marital online dating site, Ashley Madison, had been hacked with the personal information of its 32 million users accessed (Jolin, 2015). It is a difficult industry to be in, with only a 1% success rate compared with 50% for conventional startups (Zwilling, 2013).

The competitive environment also includes indirect competition from social networking sites such as Facebook, Foursquare and LinkedIn. While not created solely for dating purposes, these social networking sites allow people to find like-minded matches to socialize with and perhaps date without specifically visiting an online dating site.

According to the Pew Research Center, in 2016 15% of U.S. adults said they had used online dating services. There still exists a stigma about online dating, according to the research 23% of Americans agree with the statement “people who use online dating sites are desperate” but this is down from 29% agreeing with that statement in 2005. The largest increase in the use of online dating is in the 18-24 year old group, rising from 10% in 2013 to 27% in 2016. This jump for younger adults is attributed mainly to their use of mobile dating apps which has been rising each year (Smith & Anderson, 2016).

So why, with all the instability, competition, and threats, do so many entrepreneurs look to open their own online dating service? The answer is simple, this is big business. According to Nasdaq.com (Cesar, 2016) the online dating industry is worth about $2 billion in revenue each year in the U.S. alone, and it has expanded at a rate of 5% in each of the past five years. With such a big pot, even a small share can be very profitable.

**STRATEGIC APPROACHES**

Although the success rate for new online dating services is just 1%, the potential market in the United States alone is huge, with 90 million singles between the ages of 19 and 45, not to mention an additional 40% of users who are already married. One of the biggest obstacles to success in this industry is the oversaturation of the market. To attract users to a new dating site, management needs to create value through the use of innovative strategies and by finding unserved niches in the market (Allen, 1999). Many of these new startups use this strategy to target a very narrow segment of the market in an attempt to position themselves as the premier provider of that group.
One example of a successfully run niche dating site is NoLongerLonely.com, which targets people with mental illness (White, 2013). Created by James Leftwich in 2004, the site is modeled after mainstream sites, but added niche specific categories such as questions about section 8 housing, living with parents, living in a half-way house, and whether they own their own transportation. These profile questions relate more specifically to the mentally ill population. The site has chat rooms and forums, as well as places to post artwork. Serving people who are schizophrenic, schizoaffective, bipolar, depressed, and even on the autism spectrum, the site has 30,000 users. The premise is that users with mental illness can find others without worrying about the stigma of their illness.

The three most popularly used categories for online dating have been for religious dating, ethnic dating, and senior dating (Dating Site Reviews, 2016). Religious dating is the most popular of the three and offers a differentiated dating site geared specifically to a religion and its various denominations. While most of the general dating sites will ask users to list their religion, it is not the main focus of the site and it does not ask anything more than the religious affiliation. The religious dating sites will ask more religious specific questions and ask within a religion which sect or denomination the user belongs to. Specifying “Jewish” is not enough for a Jewish site, it asks for deeper classification within the religion, whether the user is Chassidic, Modern Orthodox, Yeshivish, Reform, Conservative, Conservadox, and about 10 or more other categories of just where within Judaism the user identifies. And that is just the beginning of categorizing the “Jewishness” of the user’s profile allowing for better matchmaking. This is never asked on a mainstream site. A Muslim site is just as specific sect, as well as adherence to Islamic principles. For example, a Shia Muslim site would ask women whether they are likely to wear a hijab, and ask men if this is an important factor to them when dating. Jewish dating sites similarly will ask questions concerning modesty in dress, Sabbath observance, and conformity to other religious restrictions. Some of the religious dating sites even offer prayer forums.

Christian Mingle and Christian Café are two of the most popular Christian dating sites, offering Christians a chance to meet other Christians who match their profile requirements. Questions about the church they were born into and how often they attend services are common. For Jewish daters, JDate is one of the oldest and most popular dating sites. The site claims to have over 10,000 subscribers online at any one time. A common complaint found on reviews of the site is that many of the matches are to non-Jewish users. According to the online reviewers, many non-Jewish users register for the site in hopes of finding a Jewish man or women in the belief that they make stable and reliable mates (Herman, 2013). JDate has an innovative strategy that includes a variety of ways to connect online including a “Kibitz Corner”, instant messaging, message boards, and chat rooms. There is an increasing trend for online daters to want organized offline activities as well, and JDate provides these opportunities with real world travel adventures, speed dating parties, and other activities to encourage real world interaction.

One very popular religious dating site is Muslima.com. With over 5 million registered users worldwide it is one of the largest Muslim dating sites. Qiran is another popular Muslim dating site with over 3 million members. This dating site is more strict in its dating rules and was designed specifically by Muslims to conform to the requirements of Halal dating. The site offers the sensitivity and cultural awareness that a mainstream dating site would not have.
DIRECTIONS FOR FUTURE RESEARCH

The purpose of this paper was to bring about an awareness to the untapped research potential of this huge industry. So much of this phenomenon has yet to be explored. This paper presents an overview of the history and strategic trends that have been employed to keep this industry on a growth track. Much work is needed to explore the cross cultural differences between the various online dating sites, by country, by ethnicity, and by religion. The strategic tool of niche marketing has been applied successfully, and this model can help us to understand how future startups can survive in the competitive online marketplace.

Another area to explore is how users access the Internet today, and how that has changed over the past 20 years. There has clearly been an increase in the use of mobile devices to access the Internet, and the use of apps, rather than programs on a laptop. Dating apps are new to the playing field, but offer the potential of suggesting daters who are in the same room or on the same street, or in the same café. Dating suggestions pop up on the smartphone as a potential match approaches in real life and real time. It doesn’t get more real than that.

Every user creates a profile that is used to help other users search for potential matches. It also helps the site in offering suitable matches. These profiles brand the user in much the same way a package design helps to brand a product. This “personal branding” is used to position one’s self to potential mates. Research on the concept of personal branding as it relates to online dating is an area that is so far unexplored.

Lastly, a comparison of online dating vs. traditional dating, with success rates and satisfaction ratings would be useful. This analysis can be similar to the brick and mortar retailer compared with the online website. Traditional dating is tangible and requires a personal visit. Online dating is virtual and can be done from a laptop. But eventually the virtual will meet in the real world, just as the online store will eventually ship a product. Once the product is received, is it what was expected? Viewed as a commodity, the date becomes the product. In conclusion, the research opportunities are out there, ready to take this to the next level.

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CULTURAL DIMENSIONS AMONG INDIA AND PAKISTAN AMONG MARKETING PERSONNEL

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ABSTRACT

Using the Hofstede Center's website, we gathered information on how the model apply's to India. In power distance India rates quite high because it is a society where class rank is considered very important. There is a class gap and the lower levels are expected to be controlled by the people at higher levels. In individualism, India falls right in the middle. It has people that are very dependent and independent in their societies. Mainly, the individualistic part comes in to their religion. When it comes to Masculinity, men are expected to be out there being successful, where women are expected to stay home and take care of others. When in come's to uncertainty avoidance, India ranks at 40, which means it wants to be able to predict the future and plan for it to a certain extent. Under long term orientation, India falls in the middle. Researchers believe that is because of their belief in Karma. India also ranks quite low in indulgence because it focuses on working hard and striving to complete goals, rather than making time for leisure activities. Furthermore, a country that can be compared to India is Pakistan. They have similarities in Masculinity and Long Term Indulgence, but have a significant difference in Individualism and Certainty Avoidance. India ranks at 48 while Pakistan ranks at 14, and India ranks at 40 while Pakistan ranks at 70, respectively.

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THE BIG 5, STRATEGIC CUSTOMER SERVICE, AND CULTURAL DIFFERENCES AMONG EUROPE, JAPAN, MEXICO, CANADA, AND THE UNITED STATES OF AMERICA

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ABSTRACT

In terms of Big Five Personality, Canada outranks Germany. Canadians are more open to experience, are more extroverted, more agreeable than Germans. Germany, on the other hand, is more conscientious and neurotic than Canadians. For Hofstede's 6D model, Canada and Germany have some similarities but are still vastly different. Canada has a slightly larger power distance than Germans but only by a small margin. Canada is also a much more individualistic country. Germany ranks higher than Canada in terms of masculinity, uncertainty avoidance, and long term orientation. Canadians, however, are much more indulgence than Germans. In terms of strategic customer service, I think that both countries would perform equally. Canadians are more personable while Germans are a bit harsher. Each country has their strengths and weaknesses. Big 5 Personality comparisons show that Canada has more personality towards agreeableness, extroversion and openness to new experiences. Germany shows more personality traits towards neuroticism and conscientiousness. HOFSTEDE'S 6D MODEL (scale of 1-100) power distance- Canada: 39 Germany: 35 individualism- Canada: 80 Germany: 67 masculinity- Canada: 52 Germany: 66 uncertainty avoidance- Canada: 4 Germany: 65 longer term orientation- Canada: 36 Germany: 83 indulgence- Canada: 68 Germany: 40. These traits have similarities and differences in the different cultures. In Canada, people tend to score higher on Extraversion, while scoring moderately on Neuroticism. In Spain, results show correlation with Conscientiousness and Openness. In the Hofstede 6D Model, Canada and Spain differ a bit. Canada scored higher in Individualism, Masculinity, and Indulgence. Spain scored higher in Power Distance, Uncertainty Avoidance, and Long Term Orientation. When it comes to Strategic Customer Service, Canada is known for needing to improve their customer service.

Japan is a country that is more extraverted and open to new experiences. Although the population tends to exhibit more neurotic tendencies, the tend to be very agreeable and conscientious. Japanese cultures tend to be more collectivist and masculine and they have a long-term orientation. People in Japan also tend to have a moderate to high power distance relationship, high uncertainty avoidance, and a more restraint. Customer service here should focus on building lasting relationships built on mutual trust and understanding with the supplier acting in a more subservient/humble role. In France, there tends to be a moderate to
high power distance, more individualistic tendencies, and a high uncertainty avoidance. In
addition, society as a whole tends to be moderately feminine, people tend to exhibit more
restraint, and society tends to be more collectivist. Customer service in France should be
more middle of the road, since the society exhibits traits that are both masculine and
feminine. They tend to appreciate sincerity and authenticity over congeniality. Japan
performance, organized, analytical, cautious. Strong power distance and Masculinity.
However, low individualism. Japanese are similar to Americans of the 50’s. Very traditional
gender roles. Service is first and foremost detailed and thorough compared to US where
speed and efficiency may be preferred. In addition, saving face with customers is paramount
in Japan, much less so in the US where staff may not bend over backwards for customers.
Cost is a larger issue in the US than Japan where high quality service is king. Those in the
hospitality industry in Japan may be more humble when considering requests of guests.
American counterparts are likely to feel more entitled and less willing to see the other
person's point of view.

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BACKING ENTREPRENEURS IN DEVELOPING COUNTRIES: WHICH LOANS SHOULD WE FUND?

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CASE DESCRIPTION

The primary subject matter of this case concerns microlending. Secondary issues examined include crowdsourcing, entrepreneurship, decision making criteria, economic development, social responsibility, portfolio management, and managing stakeholder interests. The case has a difficulty level of appropriate for senior level courses. The case is designed to be taught in one class hour and is expected to require three hours of outside preparation by students.

CASE SYNOPSIS

With the growth of social entrepreneurship and social investing, a number of organizations have taken on the challenge of alleviating poverty through microlending. Microlending, or making small, short-term loans to people living below the poverty line, is based on the premise that the poor have the skills necessary to work their way out of poverty but do not have access to the financial resources to reach their full potential.

The Grameen Bank, founded by Noble Peace Prize Winner Muhammad Yunus, and Kiva, an organization dedicated to crowdsourcing microloans, are featured in the case. Both organizations have developed innovative business models that have resulted in unprecedented success. The case introduces students to microlending and crowdsourcing and presents students with the challenge of selecting loans to be funded with money from a university alumnus. The case decision requires students to weigh the interests of various stakeholders including their group members, the alumnus, potential borrowers, and the various microfinance institutions.

The case requires students to examine poverty and the role that business can play in economic development. In addition to giving students a platform for examining decision making, the case can be used to inspire students to consider their own roles as socially responsible business people.

CASE BODY

Late during Spring Semester, Ernie Chapman, an alumnus from your university, gave a guest lecture in one of your classes. Your instructor had invited him to your class to talk about the success that he had as an entrepreneur. He talked to the class about the businesses that he had started, but he also told you about a recent trip that he had taken to Nicaragua to work with people that were starting their own small businesses.

Mr. Chapman told the class, “I have a friend that volunteers with an international development agency. The agency works with entrepreneurs in developing countries to help those people start small businesses. He invited me to accompany him to Nicaragua on one of the agency’s development trips. Seeing the commitment that the entrepreneurs that I meet in Nicaragua had on trying to provide a better life for their families was one of the most rewarding experiences in my life. I had no idea how little money was required for people to start a small business in a developing country.
MICROLENDING

Mr. Chapman explained, “Microlending involves making small, short-term loans to people living below the poverty line, many on less than $1.00 a day. People living below the poverty line typically do not have access to credit through traditional banks. Living in poverty means that it can be impossible to start a business, cover unexpected medical expenses, send your children to school, or even afford food as your income fluctuates. Microloans allow people to invest in their own future. The impact of a loan can go far beyond the borrower. A small increase in income can move a family over the poverty line and provide members of that family with access to food, medical care, and education. Further, when a person starts a business in a local community, that business can create new jobs within that community and spur economic growth (CGAP’s FAQs about Financial Inclusion, n.d.).”

One of your classmates asked, “It sounds like a lot of people can benefit from microloans, but isn’t it risky to loan money to the poor?”

“Well, no.” replied Mr. Chapman, “When loan programs are well structured, loan repayments for some microlending institutions are actually higher than traditional banks. The Grameen Bank is a prime example. It has been very innovative in many aspects of its lending programs. Traditional banks usually require lump sum payments. However, a large repayment can be psychologically and financially taxing for a borrower that is living below the poverty line and can lead to increased default rates for repayments. In its program, Grameen requires small, frequent repayment amounts. Repayment starts soon after the loan is disbursed. If there is a problem, it can be handled early rather than being allowed to grow.” (Yunus & Jolis, 2007)

“The Grameen Bank has also been a frontrunner in other lending practices such as focusing its efforts on making loans to women. Grameen’s decision to focus on women is based on a variety of socio-economic reasons. In many cases, economic development goals of reducing poverty and inequity are best reached by making loans to women. Women are more likely to use the money that they earn to provide for their children and invest in improvements to the family’s standard of living. Women are more consistent at repaying loans than are men.” (Yunus & Jolis, 2007)

“In addition to requiring frequent, small repayments and focusing on women, Grameen has also been innovative by having individual borrowers form borrowing group. If a borrower does not pay back her loan, her group may not be eligible to borrow loans in future years. This creates an incentive for group members to work together to solve problems. Grameen’s practices work. Grameen has lent over $16 billion since it started making loans, and it has a repayment rate of over 98%. So, no, loans to the poor do not have to be risky.” (Yunus & Jolis, 2007)

CROWDSOURCING

All of the sudden microlending didn’t sound so “micro” or as risky. Another classmate remarked, “This is all very interesting, but $16 billion is a lot of money. Where do the funds come from?”

Mr. Chapman told us, “$16 billion is a lot of money, but remember that as loans are repaid, the money gets lent out again. Also, you should know that there are lots of different microfinance institutions or MFIs, and each one is funded differently. The Grameen Bank funds its loans through savings deposits made to its bank, but crowdsourcing has become a very popular tool for raising money as well. One day, over my morning coffee, I
read about an organization called Kiva. They won *The Wall Street Journal Operational Effectiveness Award Winner* for Financial Inclusion (Desai, 2015). Kiva is an organization that helps match people applying for microloans with people that are willing to make small loans to those in need. Let me show you.” He opened his laptop and went to the Kiva website.

Mr. Chapman explained, “Kiva is a nonprofit and works to crowdsourcsource loans. With crowdsourcing, lots of people can come together to support a cause. With Kiva, people can put up as little as $25 towards a loan. When enough people put money towards the loan, it gets funded. Of course, you could fund the entire loan if you want or you can spread your money among different loans. As a lender, you get to choose where your dollars go; and when the loan is repaid, the money goes back into your Kiva account. Then, you can choose a new loan to fund or withdraw the money from your account.” (The Journey of a Kiva Loan, n.d.)

“Over the past 10 years, Kiva has brought over one and a half million lenders together to make microloans to over two million people in over 80 countries. Over $850 million in loans have been supported through Kiva. The loans have been used to support agriculture, start businesses, and send students to school with many loans going to people in conflict zones and to people in the least developed countries around the world. And it has all been accomplished through crowdsourcing.” (Kiva About Us, n.d.)

**FIELD PARTNERS**

A classmate chimed in, “Kiva must be a huge organization to serve over 80 countries. How does it have the resources to work in so many different countries?”

Mr. Chapman replied, “That is a really good question. To serve those markets, Kiva has a staff of only 110 employees and 450 volunteers (Kiva About Us, n.d.). But, by working with field partners, Kiva is able to help borrowers in countries all over the world. Kiva’s field partners include a wide range of nonprofit organizations including MFIs, schools, and more. Kiva’s field partners are all committed to providing the poor with access to credit. They work at the local level to evaluate loan applications, administer the loans, and in many cases provide other services to the borrowers such as literacy programs, business training, and access to healthcare. The field partners provide expertise in the local markets, and Kiva provides expertise in crowdsourcing to support the loans.” (The Journey of a Kiva Loan, n.d.)

“Borrowers apply for loans through a local field partner. After a loan is approved by a field partner, details about the loan and the borrower are uploaded to Kiva’s system and the crowdfunding for the loan begins. Once a loan is fully funded, the money is transferred from Kiva to the field partner; and the field partner distributes the money to borrowers.” (The Journey of a Kiva Loan, n.d.)

“When repayments are made on the loans, the field partner collects the money from the borrowers and then transfers the money back to Kiva. When Kiva receives the money, it redeposits the money into the lender’s account. Once the money is back in the lender’s account, that money can be used to make new loans, it can be donated to Kiva, or the lender can withdraw the funds.” (The Journey of a Kiva Loan, n.d.)

A member of the class asked, “Does working through Kiva increase the cost of the loans to the borrower?”

Mr. Chapman said, “Well, Kiva doesn’t collect interest on loans and lenders do not receive interest from loans they support. However, field partners do collect interest to cover their expenses. It is expensive for field partners to administer loans in developing markets particularly in rural areas.” (The Journey of a Kiva Loan, n.d.)
“Overall, Kiva has been very successful in terms of loan repayments with a repayment rate of over 97%. Of course, repayment is not guaranteed and having field partners in the lending model adds an extra layer of complexity. Borrowers can default on the loan and not pay the field partner back, and the field partner can default on the loan and not repay the funds to Kiva. There are also risks associated with the countries where the borrowers live and currency exchange rates. However, Kiva is careful about their selection of field partners and shares information about the field partners on the Kiva website. In fact, everything about Kiva’s lending process is transparent. As a potential lender, you can learn about the borrower and how they plan to use the money. You can learn about the counties where the loans are being made; and you can learn about the field partner, its repayment rate, and the currency exchange losses from that field partner. Kiva assigns each field partner a risk rating to help lenders better understand the risks of lending through various field partners.” (Due Diligence for Field Partner Loans, n.d.; The Risks of Lending, n.d.)

**LOAN LISTINGS**

“While I am online, I’ll show you a listing for one of the loans. Kiva facilitates direct loans to entrepreneurs in the U.S., but I am really interested in helping entrepreneurs in developing countries.” He clicked on a loan from a borrower in Nicaragua.

“You can see that each Kiva listing includes the loan applicant’s name and photo as well as a brief description of how the loan will be used. The listing also includes information about the applicant’s home country and the applicant’s story. This is one of my favorite parts of looking over the loans that need funding. You can learn about the applicant’s family, the applicant’s business, and how profits from that business may be used. If an applicant has had previous loans funded through the field partner, you can see that too.” (The Journey of a Kiva Loan, n.d.)

“The listing lets you know the total amount of the loan, the percentage of the loan that has been funded, and the time remaining for the funding to be complete. It also provides the repayment schedule including how long the borrower has to repay the funds and if the borrower will have to make monthly payments, repay the loan in one payment at the end of the loan, or follow some other repayment schedule.” (The Journey of a Kiva Loan, n.d.)

At the end of his talk, Mr. Chapman offered the class a challenge. He told the class, “I was so inspired by what I have seen, I have set up an account with Kiva to fund loans for other entrepreneurs. I have deposited $5,000 in that account. It may not seem like much, but $5,000 can go a long way in developing countries. I would like for you to decide which loans to fund with that money. As the loans are repaid, I will leave the money in the Kiva account so that future classes can choose new loans to fund. If most of the money is redeposited in the account a year from now, I will deposit another $5,000 in the account so that two classes can participate next year.”

Your professor was really excited about the idea and she agreed to let Mr. Chapman return to your class the following week to hear the class’s recommendations about which loans will be funded. She said, “To make the most of this opportunity, let’s come up with a strategy for selecting loans that should be funded. There are five groups in the class, so each group should decide how to invest $1,000 of the funds. Next week, each group should be prepared to give a presentation on the criteria that your group used to select loans to fund. Also, each of member of the group should come to class with one loan that you think fits your group’s criteria. This is a fantastic opportunity and it would be great for two classes to have this opportunity next year.”
YOUR GROUP MEETING

Right after class, your group got together to talk about your funding strategy. You had been working with the same group all semester, so you thought that it would be easy to decide on a plan. However, once you got started, the meeting was rather contentious. Everyone wanted to make the most of the opportunity to help other people and Mr. Chapman’s money was at stake, but you could not agree on the best approach to take in selecting an overall funding strategy.

Leanne thought that the money should all be used to fund one loan. “By putting all of the money into one loan, we will let that person know that we are really committed to that project. The fact that that we are willing to back the entire loan will give the loan recipient a real boost of confidence.”

Brandon said, “Since Mr. Chapman was really inspired by what he saw on his trip to Nicaragua, we should invest the money all in loans there. We can split the money among 40 different loans, but they should all be in Nicaragua.”

Emily said, “I have read about microlending before. From what I have read, some of these MFIs charge really high interest rates. I don’t think that we should support loans where the borrowers have to pay really high interest rates or loans from MFIs that are making a lot of money by lending to the poor. It just doesn’t seem like the right thing to do.

Chloe argued, “In one of my other classes, I learned that education is a key part of economic development. People that are able to get an education are much more likely to be successful and become financially independent. We should put the money into education loans. There are so many people our age that have no way of getting an education without a loan to cover their expenses. After all, we should try and maximize the good that we can do.

Your group had another project to finish for class, and you did not want any tensions or disagreements from this assignment to slow your group down on completing your final project for the course. You weren’t sure what to do, so you suggested that everyone take a closer look the Kiva website and meet back later in the week. You left the meeting with the realization that choosing loans would be more complicated that you had thought.

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ARE YOU GETTING THE BEST DEAL ONLINE?
A CASE STUDY IN E-COMMERCE PRICE DISCRIMINATION

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CASE DESCRIPTION

This case study describes recent developments in e-commerce price-setting practices and provides an opportunity to review the underlying principles of price discrimination as well as other pricing strategies. The case is designed to address a number of learning outcomes in a managerial economics course at the M.B.A. or upper undergraduate level and has been tested in M.B.A. economics courses at two business schools over several semesters.

CASE SYNOPSIS

Technological change makes information more available to both consumers and firms. Consumers expect to find pricing information more easily in the online environment, however firms have started to use information about individual consumers to customize their prices. A number of recent studies demonstrate that charging unaware customers different prices for the same product or service is becoming more common. This case focuses primarily on third-degree price discrimination but also involves a discussion of other non-trivial pricing strategies. Built upon an examination of the current trends in online commerce, it helps students better discern between different pricing strategies and review the conditions for their successful implementation.

CASE BODY

Technology is changing the face of commerce. The rise of electronic commerce not only allows retailers to reach new customers, but also provides opportunities to collect new data about customers and use these data in new ways. Companies such as Google and Netflix have successfully used personalization to provide tailored services to their customers. A more controversial development is the expansion of dynamic pricing that sees businesses charge different prices to different customers for similar products, as well as price steering that in effect pushes some customers toward higher-priced offers.

Charging different prices for similar products is not a new phenomenon, in any way unique to the online marketplace. This has been a common practice in a number of markets and is known as price discrimination. Economic literature distinguishes three types of such pricing strategies. First-degree price discrimination occurs when prices are tailored to the customer’s willingness to pay based on what the seller knows about the customer. With second-degree price discrimination, sellers openly offer a variety of fee options linked to the volume of purchase – with such examples as discounts for buying large quantities of a product, or reduced bank fees for keeping large account balances. With third-degree price discrimination, the seller attempts to segment the market into various groups that have different levels of price sensitivity and charges the groups accordingly. Common examples of third-degree price discrimination include senior-citizen and student discounts.

Studies of shopping trends in electronic commerce demonstrate that various forms of price discrimination are much more common that most consumers realize. A study from the
Annenberg Center at the University of Pennsylvania (Turow et al., 2005) found that 64% of American adults who use the internet do not know that online stores “charge different people different prices at the same time of day.” When presented with various scenarios of price discrimination, between 64% and 91% of respondents in this survey voiced their disapproval and 87% believed that online stores should not charge different people different prices for the same products. The study shows that while consumers may be used to the idea of coupons and sale prices in retail stores, they expect the online environment to be a level playing field with similar prices for different buyers of the same product.

However, this is not the reality in online commerce as another recent study of e-commerce web sites demonstrates. The study prepared by a team of computer scientists at Northeastern University (Hannak et al., 2014) recruited three hundred users and tracked their search experience on different e-commerce sites. The researchers also developed hundreds of fake accounts to see whether browsing and purchase histories as well as clicks through the sites had an impact on the prices seen by the users. They found that six of sixteen popular e-commerce web sites charged consumers different prices for a similar product and none of the sites alerted their customers to that fact. For example, online travel agencies Cheaptickets and Orbitz favored the members of these sites and charged users searching hotel rates an average of $12 more per night if they weren’t logged into the sites. Meanwhile, Travelocity charged users of Apple Inc.’s iOS mobile operating system $15 less for hotels than other users. Priceline personalized the order of search results based on the user’s history of clicks and purchases.

According to the same study, Expedia and Hotels.com online travel agencies appear to break their users into groups and steer users from one group at random to pricier products. Expedia and Hotels.com are both units of Expedia Inc., and the company confirmed that it constantly refines its pricing strategies using a method called A/B testing, the researchers said. Customers are randomly placed in a group that highlights either less or more costly hotels. In an example, one group of customers was shown an average hotel listing price of $187 a night. The other group saw prices that were about 10% lower.

The study also found that Home Depot’s web site didn’t charge users different prices for identical products but showed more-expensive products, as much as $100 more expensive on average, to people who shopped using a smartphone. In an interview to the Wall Street Journal, Home Depot didn’t dispute the accuracy of these findings, but the company claimed that they were not “intentionally steering search results,” said company spokesman Stephen Holmes. Many factors could influence what a customer sees on the company’s web site, including prior browsing and purchase history, the location of the store, and whether the customer is on mobile or not, said Mr. Holmes (Dworkin, 2014).

“In the real world, there are coupons and loyalty cards, and people are fine with that,” said Professor Wilson from Northeastern University who led the research team. “Here, there is a transparency problem. The algorithms change regularly, so you don’t know if other people are getting the same results.” (Dworkin, 2014)

Online travel sites such as Orbitz have been accused of price discrimination in the past (Clemons, et al., 2002). Another Wall Street Journal investigation found in 2012 that Orbitz steered Mac users to pricier hotel offers, which effectively resulted in those customers paying as much as 30% more than PC users for a night’s lodging. The company later discontinued the practice, which it characterized as a month-long experiment (Mattioli, 2012).

Staples Inc. varied its online prices based on the users’ location (Valentino-Devries et al., 2012). The office supply chain uses not only the customer’s location, but also the customer’s distance from competitor stores such as Office Depot as a factor in setting its price.
Staples is not the only company to use the customer’s geographical location as the basis for setting prices. Budget rent-a-car web sites revealed extreme differences in the prices charged for the exact same rental dates and type of vehicle between customers coming from the US and from Europe, as well as between the US and European versions of the web site.

As Figure 1 demonstrates, for a local US customer Budget’s US web site offered its lower prices, and for a European customer Budget’s international web site offered its lower prices. The international web site also had lower prices overall. For a two-week one-way rental of a small sport-utility vehicle (SUV) in California over the Christmas holiday period, the price for a US customer ranged between $1236 and $1722. In contrast, the price for the same type of vehicle offered at the same time to a European customer ranged between $781 and $958.

Figure 1
CAR RENTAL PRICES FOR THE SAME LOCATION AND PERIOD IN CALIFORNIA

<table>
<thead>
<tr>
<th></th>
<th>US Web Site</th>
<th>International Web Site</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>American Customer</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not Frequent Flyer</td>
<td>$1,373.98</td>
<td>$1,722.12</td>
</tr>
<tr>
<td>Frequent Flyer</td>
<td>$1,236.58</td>
<td>$1,647.35</td>
</tr>
<tr>
<td><strong>European Customer</strong></td>
<td>$958.00</td>
<td>$958.00</td>
</tr>
<tr>
<td>Not Frequent Flyer</td>
<td>$781.21</td>
<td>$781.21</td>
</tr>
<tr>
<td>Frequent Flyer</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Authors’ research, Budget.com, BudgetInternational.com

Figure 2 reports the prices for similar rental queries for a two-week one-way rental in Spain. In a reversal of pattern from the case of the California rental, Budget’s US web site offered lower prices overall in this case. A US customer renting in Europe saw a price as low as $369. Meanwhile, a European customer would pay between $743 and $846 for the same type of vehicle over the same period in Spain.

Consumer advocates have long protested price discrimination by online stores. In one highly publicized case, Amazon.com upset its customers with a policy that used buyer profiles to charge different prices for the same DVDs. The resulting customer outrage prompted Amazon.com CEO Jeff Bezos to apologize and characterize the pricing differences as an internal research program in which consumers were shown different prices for identical products. He called the experiment a “mistake” (Dworkin, 2014).

Price discrimination faces legal challenges as well. Price-fixing has been outlawed in the US since the Clayton Act of 1914. The Robinson-Patman Price Discrimination Act of 1936 focused on the elimination of monopolies in wholesale trade and required that: “It shall be unlawful for any person engaged in commerce, in the course of such commerce, either directly or indirectly, to discriminate in price between different purchasers of commodities of like grade and quality, where the effect of such discrimination may be substantially to lessen competition or tend to create a monopoly in any line of commerce… Provided that nothing shall prevent differentials which make only due allowance for differences in the cost of manufacture, sale, or delivery” (United States Code, 1936).
Legislation in the US prevents charging different prices on the basis of race or religion. However, courts have allowed application of different prices in such cases as men being charged a higher rate for car insurance than women. The justification has been the fact that women have better driving records and therefore lower insurance cost than men.

Figure 3 presents the pattern of pricing for the same product – a high-end microwave oven – at three popular web sites over one day that was discovered in the study. One rationale behind this pricing strategy is that the
unpredictability of price changes makes it less advantageous for the customers to delay their purchase as the price may increase.

Technological change makes information more available. Consumers may benefit from easier access to pricing information from a variety of web sites. They may also be disadvantaged when the firms use consumer histories in personalizing prices. The variation in pricing practices in the online environment creates both challenges and exciting opportunities for both consumers and firms. The only constant in it is change.

CASE QUESTIONS

1. What are the conditions for a successful implementation of price discrimination?
2. Which of the companies mentioned in this case – Orbitz, Expedia/Hotels.com, Home Depot, Budget – actually uses price discrimination?
3. When implementing price discrimination for Budget rent-a-car, for which customers should you charge higher prices and for which lower? What is the rationale for the price differences reported in the case?
4. In your opinion, are price discrimination practices ethical? Is price discrimination good or bad for the society? Should it be illegal to engage in such practices?
5. What pricing strategies other than price discrimination may result in different customers paying different prices for the same product? Explain how such a strategy may be profitable for the firm.

REFERENCES


THE EFFECT OF THE NEW LEASE ACCOUNTING STANDARD ON LESSEES’ FINANCIAL STATEMENTS

Marianne L. James, California State University

CASE DESCRIPTION

The primary subject matter of this case deals with the new lease accounting standard recently issued by the Financial Accounting Standards Board (FASB). The primary objective of this case is to help students learn and understand the major changes to accounting for leases especially with respect to leases currently classified as operating leases. The case focuses on lessees’ accounting and reporting since the new standard affects primarily lessees. Secondarily, the case explores some of the financial reporting issues that motivated FASB to issue this new standard, as well as some of the potential strategic and economic implications for organizations with significant lease obligations.

The case has a difficulty level of three to four and can be taught in about 40 minutes. Approximately two hours of outside preparation are necessary to fully address the suggested case-specific analysis and research questions. The case can be utilized in an Intermediate Accounting course, where accounting for leases is typically covered and serves to reinforce the related concepts and issues discussed in class. It can also be used in an advanced level or graduate course focusing primarily on the research components and the strategic implications of the new accounting standard.

Using this case can enhance students’ technical, analytical, research, and communication skills. Furthermore, the case also provides students with some insights into the economic effect of accounting standards and the potential effect on managements’ strategic decisions.

CASE SYNOPSIS

After nearly ten years of collaboration with the International Accounting Standards Board (IASB), two exposure drafts, and extensive due process, in February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, “Leases.” Once implemented into the FASB Accounting Standards Codification (ASC), the new standard will supersede all currently existing Generally Accepted Accounting Principles (GAAP) related to leases. ASU 2016-02, which includes several appendices and spans nearly 500 pages, is quite complex and significantly changes lessees’ accounting for and reporting of leases.

This case explores the effect of the new lease standard on the measurement, recognition, and reporting of leases and the effect on the financial statements of a company with significant lease commitments. Furthermore, the case explores some of the issues surrounding this accounting change and the potential impact on managements’ capital budgeting decisions.

The main character in this case, with which students are asked to identify, is a highly motivated accounting major who interviews for an entry-level position at a mid-tier accounting and consulting firm, whose clients tend to lease a significant portion of their plant assets. The characteristics attributed to the character, which include currency in the professional field, excellent technical knowledge, high motivation to excel, and ability to impress interviewers with detailed knowledge of the firm’s clients and niche, are those that accounting majors would likely aspire to.
This case may enhance students’ understanding of changes to accounting for leases and the effect on lessees’ financial statements, and serves to enhance their research, technical, critical thinking, and communication skill. The context of the case may also enhance students’ understanding of characteristics that help future accounting professionals prepare for and succeed in a challenging career.

THE CASE*

Skylar Karrington, an accounting major, is currently completing the last two courses necessary to meet the requirements for the Certified Public Accountant (CPA) exam. She is also preparing for the CPA exam, which she plans to successfully master within the next nine months. She has also started the interviewing process for an entry-level accounting position. As an active member of an accounting-oriented professional student organization, she has had many opportunities to explore the diverse careers available to successful accounting graduates. After careful consideration, she decides that a mid-tier accounting firm, specializing in accounting and consulting services, rather than a “Big 4” accounting firm, would match her immediate career objectives and her desire for work-life balance. Having networked extensively over the past two years, she has identified several firms, which she feels would complement her career objectives as well as her personal style. She ranks the firms based on her carefully developed criteria.

After interviewing with three of the top five firms on her list, Skylar secures an all-day interview with the number one ranked firm, Merburg Accounting and Consulting LLP; her interview is in two weeks. She recognizes the importance of being well-prepared for an interview, and although she is already very knowledgeable about the company, its professionals, and its culture, she conducts some additional research that includes information about the firm’s clients. She soon realizes that many of Merburg’s top clients lease their plant assets. A review of several of their top clients’ financial statements reveals that a significant portion of those leases are currently classified as operating leases.

Skylar, who strives to be a proactive and well-informed professional who is aware of and anticipates changes in accounting, closely monitors new developments with respect to both U.S. GAAP and International Financial Reporting Standards (IFRS). She is aware of the trend towards globalization of accounting standards and is especially interested in standards that are the result of the FASB and IASB’s joint efforts to converge accounting standards. Skylar knows that on February 25, 2016, FASB finally issued the long-awaited standard — Accounting Standards Update (ASU) 2016-02, “Leases.” Having previously reviewed the two exposure drafts issued by the FASB and IASB, she is also cognizant of the likely effect of the new standard’s provisions on the financial statements of companies that lease assets.

After considering what she learned about Merburg’s clients and after reviewing the newly issued lease standard, she realizes that knowledge about the new lease standard’s main provisions will provide her with a number of opportunities and advantages. First, she believes that as a future accounting professional it very important that she be knowledgeable about the provisions of a new important accounting standard and the resulting changes in GAAP; especially, since the new standard had not yet been issued when she completed Intermediate Financial Accounting and Reporting II, the course where lease accounting is discussed.

Second, she believes that knowledge regarding the lease standard’s provisions would provide her with the opportunity to distinguish herself during her upcoming interview with Merburg’s professionals. In fact, during the scheduled visit at Merburg, she is planning to reveal to key professionals of the firm her knowledge of the new lease standard. She realizes that in order for this strategy to be effective and to help her project the image of a confident
and knowledgeable professional, she will need to prepare for potential question by Merburg’s professionals about the new standard.

**Merburg’s Profile**

Merburg is located in the western region of the United States. The firm has 12 offices. The main office is located in California with 148 professions and many support staff members. Merburg specializes in accounting and consulting engagements of midsize mostly private entities. While many of its clients are not reporting to the SEC and are not required by law to publish financial statements, most of them publish annual reports to comply with lender requirements and stakeholder expectations. Many of Merburg’s clients currently lease a large portion of their equipment, with a significant portion of those leases classified as operating leases. Thus, the new lease standard is likely to affect their financial results. Merburg’s accounting division helps clients prepare for changes in GAAP, particularly where extensive comparative information must to be derived and reported.

**Day of the Interview**

During the office visit, Skylar is very favorably impressed by what she learns about Merburg’s professionals, professional environment, and strategic plans. She gains additional information about the firm’s current market position, its future plans, and the typical path for professionals toward eventually rising to the rank of manager and then partner. She also has the opportunity to demonstrate her knowledge related to the new lease standard. She asks one of the partners whether he expects that the firm will be assisting many of its clients with the implementation of the new lease standard. The partner confirms that they expect to work closely with many of their small and midsize clients. He also indicates that several clients already have contacted Merburg about this issue.

Walter Kunze, the managing partner of the firm, who extensively speaks with Skylar is very impressed by her knowledge and her qualifications for the position; at the conclusion of the interview he offers her a full-time entry-level position starting in ten months. In addition, he offers her a part-time internship with a very flexible schedule and invites her to participate in the upcoming in-house training seminars held during the off-season summer months.

Skylar thanks Walter and indicates that she is very interested in the offered position and looks forward to receiving the formal written offer of employment. She indicates that she has several more interviews scheduled with other firms and requests a one-month period to finalize her decision. Her request is granted. Immediately after returning home, Skylar sends an e-mail to Merburg’s managing partner, expressing her appreciation for the opportunity to meet with the professionals and emphasizing that she is very interested in the offered position.

Two days later, one of the managers she met during her visit with Merburg, phones her to inquire whether she would be willing to briefly share her knowledge of the new lease standard at the training seminar held in three weeks. Participation would provide her with the opportunity to meet professionals who were not present during the office visit. Skylar replies that she will be honored to do so. Afterwards she thinks, ‘I am so glad that I have already reviewed the standard and considered a number of related issues.’ She then retrieves the financial statements of one of Merburg’s clients and summarizes selected financial statement information, including information about the company’s leases; the summary is shown below. She decides to utilize the information to illustrate/explain some of the effects of the new lease standard. She hopes that this very practical approach will hold the professionals’ interest. She also believes that she can utilize this information for a class project. Next, she
develops concise answers to all the questions that may be of interest to Merburg’s professionals.

**Selected financial statement information for Merburg’s Client**

Merburg’s client is a manufacturer of accessories for various electronic devices. The company is manufacturing exclusively in the U.S. The company owns its land and buildings, but leases a significant portion of its manufacturing and office equipment. In order to compete with competitors who moved production to lower-cost counties, the company continually strives to improve its efficiency through automation and high energy efficiency, especially with respect to its manufacturing processes. Leasing allows the company to utilize cutting-edge, energy-efficient equipment and to change its equipment as needed. A significant portion of the leased equipment currently is categorized as operating leases. The information presented in tables 1 and 2 is extracted from the 2016 financial statements of Merburg’s client.

| Table 1 |
|-----------------|-----------------|
| **MERBURG’S CLIENT - SELECTED FINANCIAL INFORMATION** |
| **2016 Fiscal Period** |

<table>
<thead>
<tr>
<th>Financial Statement Category</th>
<th>Amounts in Thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td>$ 11,595</td>
</tr>
<tr>
<td>Long-term Assets</td>
<td>24,520</td>
</tr>
<tr>
<td>Total Assets</td>
<td>36,115</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>19,250</td>
</tr>
<tr>
<td>Total Stockholders’ Equity</td>
<td>16,865</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>42,400</td>
</tr>
<tr>
<td>Net Income</td>
<td>3,600</td>
</tr>
</tbody>
</table>

The company discloses the following information under the heading of “Contractual Obligations.”

| Table 2 |
|-----------------|-----------------|
| **NOTE DISCLOSURES – CONTRACTUAL OBLIGATIONS** |
| **2016 Fiscal Period** |

<table>
<thead>
<tr>
<th>Type of Contractual Obligation</th>
<th>Total Payments</th>
<th>Payments due during 2017</th>
<th>Payments due during 2019-2020</th>
<th>Payments due thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing leases</td>
<td>$290</td>
<td>$35</td>
<td>$35</td>
<td>$220</td>
</tr>
<tr>
<td>Non-cancellable operating leases</td>
<td>$2,280</td>
<td>$540</td>
<td>$490</td>
<td>$1,250</td>
</tr>
</tbody>
</table>

Off-balance sheet arrangements relate to operating lease commitments detailed in the footnotes to the consolidated financial statements.
ASSIGNMENTS

Pretend that you are in Skylar’s place. Answer the questions assigned by your instructor.

REFERENCES


*Author’s Note: This case deals with a fictitious company; any similarities with real companies, individuals, or situations are purely coincidental.
**CASE DISCRIPOTION**

This case provides insight into the challenges faced by two entrepreneurs as they pursue their dream of pioneering an old industry in a new location, growing olives in Texas. The case provides sufficient reflection to allow the student to understand how and why the business plan is not a stoic document, rather a dynamic idea that evolves as conditions evolve.

The main characters of the case, Constance Herra and Estill Logan, planted their first olive trees on their Texas ranch in 2007. After almost nine years, their olive trees are approaching peak productivity and many of their original business ideas are yet to be realized. Unforeseen challenges and developing opportunities have led the olive ranchers to adjust their strategies.

This case is a good fit for a wide variety of upper-level business classes where business planning, strategic thinking and entrepreneurial activity are covered. The case can easily be adapted to fit any pedagogy.

**CASE SYNOPSIS**

Constance and Estill are the very first women to own an olive tree ranch in the state of Texas. They are members of several associations such as, Texas Olive Oil Council (TOOC) and Texas Olive Growers and Council (TOGAC). Constance is on the board of directors for TOGAC.

Their original plan was to focus on five strategic business units (SBUs): the olive orchard, the olive tree nursery, the orchard installation/management service, related products such as their own Texas grown extra virgin olive oil and lip balm, and agrotourism. The original plan included a permanent olive mill and a building to house it. Recently they abandoned that idea and adopted one much more versatile and profit yielding — a portable mill. Acquiring the portable mill adds another SBU to their mix of products and services.

As the case opens, the two women are anticipating the long-awaited arrival of the mobile olive press. It represents a significant investment and they have high expectations that this will put them further down their path to success.

**INTRODUCTION**

Texas industry has generally been recognized as cotton, cattle and oil. Lately, two new industries are emerging: wine and olives. Growers discovered the micro climates and soil types favorable to producing palatable grapes and olives. The wine industry garnered the popular headlines but even as more people became connoisseurs of Texas wines, an undercurrent of parallel success was growing in the central and coastal regions of the state for olives.

There are numerous things to know about growing olive trees, the making a living with them and related products and services. Hardly anything is done on a small scale. It is
common to have as many as 6,000 trees on as little as 75 acres of land. This type of planting is called Super High Density (SHD) and it became part of the industry strategy as early as 1997 (www.hobbyfarms.com).

Harvesting olives is a warm weather event. If the olives undergo a frost or a freeze, they are not useable. Most harvesting is done by hand and relies on nets placed on the ground to catch fruit that has been pulled, raked, shaken or beaten off the trees (www.hobbyfarms.com).

Since harvesting of olives in Texas typically spans a two to three month time frame, from September through early November, prior to the first frost, production processes alone are challenging. California producers are typically able to harvest olives many more months of the year than in Texas because of the warmer climate.

Constance and Estill had walked away from successful careers in large corporations to grow olives, the very best olives, and be their own bosses. Their original plan was to grow and process their own olives, grow and sell olive trees from their nursery, help other olive entrepreneurs start their own orchards and to make their olive ranch a tourist destination where people could experience a day in the olive business.

Constance, Estill, and Pedro, manager for the olive ranch, are the only ones to harvest the 6,000 trees each fall on their 75-acre ranch near Madisonville, Texas. An orchard of 6,000 trees can produce as much as one to three tons of olives per acre. Among the sixteen plus varieties of olive trees they planted, across most varieties, a single tree can produce between 200 to 250 pounds of olives. A ton of olives will generally produce between 40-50 gallons of olive oil.

Because they are relative newcomers to the olive industry, they rely on experts. For olive specific information they turn to the Olive School at University of California Davis (UC Davis) and for weather and soil information they turn to professors and researchers at Texas A&M University (TAMU) in College Station, about 60 miles southwest from their orchard. As a result of the latter relationship, their 75 acres has several weather data gathering terminals set by TAMU professors to enable them to further their research projects and help the owners make sound judgments about planting and harvesting.

**Anticipation**

Constance crawled off the riding lawn mower as Estill drove onto the ranch. Estill said, “Hey, good news, the press is officially being shipped from Italy next week!”

“Finally! It seems like it has been more than six months since we sent them a half million dollars for the portable press and tanks. I wanted to have the equipment here within two weeks, but I suppose nothing happens too quickly when you deal with international transactions,” Constance concluded.

Estill knew that everything would take time, she never doubted the Italian company that custom made the press for them. She reminded Constance, “Italy is the home of the best equipment in the business, and we trust that they know what they are doing. I knew it would take time. In fact, I am surprised that it took only six months!”

**Where’s the Building?**

“Our business plan has changed at least five times since we started the Lone Star Olive Ranch!” exclaimed Constance. “I thought we made a plan and would stick to it. What has happened to us?” she asked rhetorically.

Estill responded philosophically, “We learn stuff, all kinds of stuff that we never thought of when it was just a business plan. Living the dream is very different from simply dreaming.”
“We thought everyone would want to see the olive trees. We thought that we would have a building to showcase our product by now,” added Constance. “And what do we have? A port-a-potty and a covered nursery. What happened to our building? Our plans were great, it was going to be a beautiful building,” Constance pursued.

“To make the olive tree nursery happen, we invested the building money into more trees than we had originally planned. Things started happening so fast that we were doing good to keep up with the orders for olive trees and our managerial services. If it wasn’t for Pedro, we would have totally neglected our own olive orchard while we were advising other people about how to manage their olive orchards,” Estill added.

“The building is the least of our worries now,” continued Constance, “do you know how to operate that press?!”

Estill paused for a moment and quietly said, “No.”

“What do you mean, ‘no’?” Constance quickly responded.

“Just that, no, I do not know how to operate the press. I must go to UC Davis in the next two weeks to learn how to operate it. I understand that it can be dangerous to operate if you do not know what you are doing. Remember when Sam lost part of his finger operating the press at Dripping Springs?” Estill asked.

“Yes, it was all anyone could talk about at the meeting after that harvest. So, it looks like you are traveling to UC Davis to learn how to operate the press,” concluded Constance.

“Yes, that is the plan, or increase my life insurance plan,” Estill said jokingly.

“Well played Estill. You successfully turned the focus of our planning from the building to learning how to operate the new press.” quipped Constance, “Plus you get to go to California one more time this year.”

What Business Are We In?

The impending arrival of the portable press reminded both owners that they had not planned for such a device. Originally, they planned to have a permanent press installed on their seventy-five acres. They allowed two acres for the building and foundation and parking of the trucks as they brought in the olives.

As they pursued their dreams of olive orchards and products, they learned that there was only one permanent olive press in Texas, located about 160 miles away near Dripping Springs. They, along with the other olive growers, would need to take their olives there to be pressed. For Lone Star Olive Ranch it meant a at least a three-hour haul one way.

The trip to the press concerned Estill, and she convinced Constance that they, too, needed a press. “If we pressed our own olives and take the portable press on the road to press olives for other growers at their own ranches, we could serve two purposes—improving our bottom line on profits and taking a much needed service to people at their own locations,” Estill reminded Constance.

“Yes, you are right. Everyone needs to have an opportunity to press their own products without having to stop everything at their ranches and haul their olives to Dripping Springs,” Constance commented.

“Our work here is just beginning, this next venture will increase our visibility in the industry, and increase our income,” Estill reminded Constance as she walked to the site where the press is to be stored.

One More SBU

“Have you scheduled harvesting of our trees for this year?” asked Constance. She added, “We will need to hire some help for the harvest.”
Estill paused, then admitted that she had been so concerned over the arrival and assembly of the press that she overlooked planning for their harvest.

“What?!” Constance responded. “It seems as if everything is starting to revolve around the press,” she said.

Estill replied, “Yes, until our learning curve gets a little flatter with this entire operation, everything will revolve around the press.”

“Do you know that we have several groups scheduled for touring the orchard starting in September?” asks Constance. She continues, “It is too warm to schedule any visits earlier than September, and after the first frost, we really do not want people to see the fruit.”

“Hmmmm. That first frost pretty much dictates our schedule for sure. We do not want to lose fruit by procrastinating on the harvest,” Estill remarks. “If we had an actual store front, we could have groups visit us throughout the spring and summer. We would have shelves and display cases for our extra virgin olive oil varieties and other olive products. It really hurts our predicted income from agro-tourism when we must work around the weather,” Estill says.

“I have been attempting to predict how long it will take us to harvest and press our fruit,” Estill says. “Everyone will want to schedule a press about the same time, probably all in October. That really puts pressure on us to get things done quickly,” she continues.

“Including the press as another SBU is challenging, but according to my predictions, it will be well worth it. If we press for as many olive ranches as we talked with at the last TOGAC meeting, we will be able to pay off the $500,000 loan on the press in half the time that we predicted to the bank,” she added.

**Just the Beginning**

“We really no longer need a press barn, we can save money there. We do need a tasting room, a store front and a pavilion for our guests,” Estill reviewed their plans with Constance.

Constance remembered, “Just think, we were so excited when we were able to provide a healthy soil for the trees from Italy, Spain, Greece, North Africa and France right here in Madisonville. We planned on purchasing another 100 acres north of here. Will that continue to be in our plans?” she asked Estill.

“Certainly,” replied Estill, we cannot make a profit if we do not increase the number of trees per harvest. And, it will take several years to get the trees to a stage that they can each contribute to the bottom line,” Estill continued.

“The greenhouse needs to be expanded, too,” Estill added. “We need to grow our own herbs to create the flavors of some of our favorite olive oils, garlic for example. And, we can bag the herbs for our customers that purchase our olive oil and the herbs for bread dipping. Kind of like the way we do when we go out for a sit down dinner at Carrabba’s,” Estill remarked.

“You’re right. There are so many things to do to just keep the market that we have. I hated telling the Greek Restaurant in Houston that we could not fill their order for olive oil, we simply cannot produce enough of our own olive oil to meet their order of five cases a week,” added Constance.

“And, so far, all we have is word-of-mouth and our sign at the end of the drive way to advertise all that we have to sell. The advertising alone will require a full-time person. You know, to coordinate our web pages with the brochures, tours and social media,” Constance said.

As they left for lunch in town, they knew that they were way behind schedule for everything.
QUALCOMM INCORPORATED: SUSTAINING LEADERSHIP DOMINANCE IN THE SOC INDUSTRY

Dahee Kang, Ewha Womans University
Sinji Kim, Ewha Womans University
Seungho Choi, Ewha School of Business

ABSTRACT

This case examined SoC design market related with smart devices, focusing on the case of Qualcomm. Qualcomm has strengths in its advanced technologies. Firstly, in 1989, Qualcomm began business with CDMA technology which have multi-channels access to one frequency simultaneously. After CDMA was established as the basic standard of telecommunication in 1993, Qualcomm could get leadership in this market. Furthermore, Qualcomm succeed in developing the first SoC which integrated GPS and other software. In 2007, Qualcomm finally became the world’s leading company as a mobile SoC provider with its own model, the Snapdragon.

However, nowadays Qualcomm has confronted difficulties with external factors out of control. In 2015, Qualcomm faced overheating issue in its Snapdragon. Some smartphones, HTC’s ONE M9 and LG’s G Flex 2, equipped with Qualcomm’s SoC, Snapdragon 810, were 10°C to 15°C hotter than smartphones with SoC provided by other companies. This incident damaged the brand image so that Samsung, the largest customer of Qualcomm decided not to procure Snapdragon 810 in its new flagship model, Galaxy S6. This led Qualcomm into financial difficulties.

Even worse, Samsung has succeeded in developing its own SoC design and become Qualcomm’s direct competitor. Qualcomm might lose its large portion of sales volume, since Samsung has internally procured SoC. In addition, Samsung announced that it will sell Exynos to outside companies, which might eat Qualcomm’s customers away.

How Qualcomm can resolve these problems? How Qualcomm can escape from these unfavorable circumstances and maintain its leadership in SoC Industry?
MCDONALD’S IN GERMANY: GERMANS, STILL LOVIN’ IT?

Annalee Nuque, Ewha Womans University, School of Business  
Dohee Kim, Ewha Womans University, School of Business  
Seungho Choi, Ewha Womans University, School of Business

CASE SYNOPSIS

The factors presented in this paper aim to explain why it was difficult for McDonald’s to adapt to changing customer needs despite having a huge pool of resources and being the most valuable food service retail brand in the world. The purpose of this paper is to provide a list of possible reasons for the decline in revenue and analysis of McDonald’s Germany strategies and operations. This case describes strategies and initiatives used by McDonald’s in one of its biggest and most important markets, Germany. In particular, this paper focuses on the importance of choosing between standard or custom products and processes for a global fast-food restaurant of McDonald’s scale. This case provides details on localized efforts and other strategies in one of its global markets. This case contains concepts for senior level undergraduate and graduate students. This paper can be used for discussion on strategic management, international business and consumer behavior.

EXECUTIVE SUMMARY

Despite various efforts to boost sales and a general increase in revenue for other fast food restaurants in Germany, only McDonald’s revenues have decreased dramatically over the past three years. This paper’s findings show 1) the rise of a direct competitor and potential substitute in the fast food and bakery industry, and 2) McDonald’s inability to align its business model and refranchising efforts to current market demand have led to McDonald’s Germany’s revenue decrease. Misalignment between the company’s traditional System (standardized initiatives) and McMakeover refranchising and reimaging efforts (customized initiatives) have led to various issues: 1) disputes between autonomy by small business owners on stores previously owned by the company, 2) increasing expenses for extra equipment to produce non-core items, 3) health concerns and demand for healthier and high-quality products and 4) rising competition successful in providing customized products and services. Local competitors have used their small-size to their advantage by getting their hands on healthier ingredients through small but authentic local suppliers. Germany McDonald’s is now in a dilemma of choosing between staying with their historic standardized three-legged stool System, or going with a newer approach of customization and health-focused initiatives.
FINANCIALLY INDEPENDENT ATHLETICS

Jason D. Reese, Stephen F. Austin State University
Robert M. Crocker, Stephen F. Austin State University

CASE DISCRIPTION

In this case, we will look at a small rural high school athletic program’s quest to be financially independent of its school’s budget. What does financially independent mean in this situation? To answer that question, we must first look at the structure in which athletic departments in interscholastic sport (sports in high schools and middle schools) operate.

The primary subject matter of this case concerns revenue generation in interscholastic (high school and middle school) athletics, which is often over looked. Secondary issues examined include how athletic administrators must work with community partners to drive revenue in support of their programs, even at the smallest of schools. Also secondary issues examined include sponsorship sales and activation, in-game promotions, and tickets sales for events are discussed.

The case has a difficulty level of appropriate for junior and senior level, as well as first year graduate level. The case is designed to be taught in two class hours and is expected to require two hours of outside preparation by students.

CASE SYNOPSIS

Washburn Rural High School (WRHS) is a small high school in East Texas. Located outside of a large city, this school’s athletic director is forward thinking and is seeking to harness the popularity and prestige of WRHS among the surrounding community. The question is, how would he be able to do this?

Coach Marmion is the athletic director and head boys’ basketball coach. The school is located about ten miles outside of a larger city with a population of approximately 30,000 people. This school is considered a 2A school, the second smallest classification in Texas. Coach Marmion is a forward thinking administrator and is often concerned with the burden the athletic programs place on the school’s budget. He also would like to take advantage of the prestige the school has in the minds of the surrounding community and larger city by raising funds for the athletic programs.

The current problem at hand is how a high school athletic program can be financially independent from the athletic budget without placing too much unneeded stress on existing staff. Topics related to sponsorship sales and activation, in-game promotions, and tickets sales for events are discussed.

INTRODUCTION

The very popular TV series “Friday Night Lights” depicted the love affair Texans have for high school football. Now it is true that many small communities in Texas do in fact love their football. However, at Washburn Rural High School (WRHS), a small community in East Texas, football is not “king”. In fact, they don’t even have football. They do have many of the other traditional interscholastic sports (e.g. baseball, softball, basketball, volleyball, etc.).
Coach Marmion is the athletic director and head boys’ basketball coach. Part of his job is to oversee the financial budget for all athletic teams. In an attempt to place less of a burden on the school’s budget, Coach Marmion would like to brainstorm and implement ideas for the athletic program’s financial independence from the school. Therefore, just before the new school year begins, Coach Marmion calls a special meeting with a few of the coaches at the school.

**Financially Independent**

“I hope teacher in-service is going well for everyone,” Coach Marmion began. “I know you all are very busy with the start of the school year, and that you are just as excited as I am to welcome all of our students back to campus. As you all know, the district is always looking for ways to be better stewards of the tax payer’s money. As part of that, we need to come up with ideas related to how we, as an athletic department, can do the same.”

Coach Kirkpatrick is the girls’ basketball and volleyball coach and is the assistant athletic director. “That’s a great idea” she stated. “I think we should first talk about our expenses. For example, let’s look at the upcoming boys and girls basketball tournament in December.” One of the largest tournaments in the area, WRHS attracts some of the best teams in the state (at their level of competition) to compete in the tournament.

“The costs of that tournament alone seem like a lot,” added Coach Massey, the head baseball coach. “For example, the cost of officials is one of the greatest expenses we have. Also, the cost of operating the building when school is typically closed in December. You know, heating the building and turning on the lights.”

“In addition, we have to pay for food in the hospitality room” added Coach Marmion.

“While those costs do begin to add up, we do bring in a lot of revenue for the tournament right?” asked Coach Massey.

Coach Marmion replied, “Yes, that is somewhat true. In the past we have received a good amount from tickets sales, and a little bit from a couple of sponsors. But it still doesn’t cover our costs. Three areas I believe we can maximize revenue without much effort is increasing our sponsorships and how we put them into action, in-game promotions, and creating new ticket sales strategies.”

**Sponsorship**

Coach Massey chimed in, “What about sponsorships? I travel all over the state and see sponsorships on the outfield walls of baseball fields everywhere. Let’s just add as many sponsors as possible.”

“I am a little weary of adding ‘as many as possible’” stated Coach Marmion. Having studied and worked with sport sponsorships in the past, as well as marketing communication, he realized that when you add too many sponsors to a venue or event, there is a good chance of developing too much clutter. Clutter causes noise in marketing messages. Too much noise in a communication process leads to the consumer not being able to hear the message effectively.

“If we add a lot of sponsors, I believe the marketing message these sponsors are trying to get across to our fans and players will be lost. I mean, think about those baseball fields with a lot of sponsor signs on the outfield wall. Can you name more than one or two sponsors from those games?”

Coach Massey thought for a second, “I guess you’re right. There are just too many.”
“Don’t get me wrong, I would love to have as many sponsors as possible, but I think we need to find a way to underwrite various parts of the tournament. Think about the costs of the tournament we just talked about: the officials, the building costs, and the food. If we can get a sponsor to cover those costs, underwrite them in a way, we can rely on other revenue sources to make a profit and stop placing a burden on our school’s budget. This will also limit the number of sponsors we have, reducing the potential for clutter.” Coach Marmion suggested.

Coach Kirkpatrick joined in, “But what do we give them in return for the sponsorship?”

Coach Marmion elaborated on sponsorship implementation. “If a sponsor wants people in the community or participants at the event to become more aware of their products, then maybe advertising is a good idea. Advertising can be signs on the walls of the gym with their logo on it, 30 second or a minute radio commercials during the broadcast of the games, a short video on our video screen, or a half or full page display in our printed tournament program that we hand out to fans. Really anything that draws attention to their brand can be considered advertising.”

“Let’s just be sure the sponsor knows about the activation costs that go along with the sponsorship,” asserted Coach Massey.

“What do you mean?” asked Coach Marmion.

Having been in business before deciding to be a teacher and coach, Coach Massey had some experience with advertising and sponsorship from the company’s point of view.

“Well, when a company pays for the rights to be a sponsor, let’s say $100 for the right to put a sign on the gym wall, there are costs that the company has to endure beyond that $100. The $100 goes to the event promoters, in our case, the school. The additional costs beyond the $100 are called activation leveraging expenditures, and are typically $1.75 for every $1 they spend. So the leveraging expenditures for that $100 sign are typically $175 more, for a total of $275. Most of the time that $175 extra cost goes toward the designing the sign and logos, the physical creation of the sign, as well as the installation of the sign at the gym. And that is just for one sign. Think about all the leveraging costs that go into the something more complicated, like a radio commercial, or video!”

Coach Marmion said, “Wow! I am glad you mentioned that. I never thought about all of that. But, you mentioning those costs to the sponsor reminds me, how can they pay us?”

“With money, of course!” exclaimed Coach Kirkpatrick.

“Ha ha! You’re right Coach Kirkpatrick. However, there are other ways they can ‘pay’ us. They can give us cash, of course, but they can also pay in the form of a ‘trade’ or ‘in-kind’. While cash is the most common form of payment for sport sponsorships, and obviously helps us raise revenue, remember we are trying to underwrite our costs of the tournament by bringing in sponsorships. In-kind sponsorships are also pretty popular,” stated Coach Marmion.

Coach Kirkpatrick stated, “I’ve seen that before. Isn’t that when we receive goods we need instead of cash? For example, wouldn’t we be doing an in-kind sponsorship if we get a local restaurant to provide the food for the hospitality room, and in exchange we allow them to put up a sign? So, like $100 worth of food for a $100 value sign, or something like that?”

“That’s exactly right!” replied Coach Marmion.

“What about the payment method of ‘trade’?” asked Coach Massey. “How is that any different from in-kind?”

“Well, payments in the form of a trade are typically focused more on the exchange of a service, rather than a good” replied Coach Marmion. “For example, if we need a doctor available to athletes of the tournament, we could engage in sponsorship agreement with them in which they trade their service for a sponsorship.”
In-Game Promotions

“There is an area I think we are missing, and have not done so well in the past, for our tournament. Our games are boring! Meaning we have some great competition but there is not much going on between games, during the time outs, etc.” said Coach Kirkpatrick.

“That’s a good point” added Coach Massey. “No offensive, I know you guys like your basketball, but us baseball guys need something else during the game.”

Coach Marmion knew exactly what they were talking about, it’s called atmospherics. Atmospherics are a part of promotion and include a lot of things related to the physical location of the event. It can include the volume and sound quality, the music type, the temperature of the air as well as freshness, the cleanliness of the facility, and much more.

“You are talking about the atmosphere we are creating for our spectators. We need to find ways to keep them engaged in the tournament action when the ball is not in play. Research shows that when spectators are more engaged in an event, they are more likely to be satisfied, and in turn, come back again in the future” said Coach Marmion.

Coach Kirkpatrick suggested, “Can we tie this back to our sponsorships? For example, can we kill two birds with one stone? Our fans want to be entertained when the game is stopped. Our sponsors what to be ‘in front’ of our spectators in a way that reducing clutter and noise. How about we create opportunities for our sponsors to get engaged with our fans during the breaks in play?”

Coach Marmion asked, “What do you have in mind?” “I am not sure exactly. However, I do have a connection with a local car dealership. The owner is a big fan of the school district and has been a supporter in the past. What if we approach her and ask if she would be willing to donate a car to the tournament? We can make it a half-court shot competition for fans. What do you think?”

“Wait, that’s a big investment on behalf of the car dealership!” replied Coach Marmion. Coach Massey jumps in, “No that perfect! I know of a company that insures events like this. If the sponsor buys the insurance, they pay a premium but not the entire cost of the vehicle if someone makes the shot. I saw it at a minor league baseball stadium once. They put a sign beyond the center field wall that had a hole in it. It said ‘Hit a homerun through here and a lucky fan will win a brand new car!’”

“How much does something like that cost the sponsor?” asked Coach Marmion. “Not much” replied Coach Massey. “I think for an insurance policy to cover a $16,000 car for a half-court shot, the fee was $800.”

Ticket Sales

“These are all great ideas, we need to keep brainstorming. But we have to make sure we get people to the tournament first. I mean, sponsorships have no value if fans are not seeing the sponsorship in action. The sign is worthless if no one is there to look at it. Let’s talk about ticket sales” stated Coach Marmion.

“How have we sold tickets in the past?” asked Coach Massey. “At the door on the days of the games. That’s pretty much it. Also, we only sold full tournament tickets. There were no options for single day passes” Coach Kirkpatrick replied.

Coach Marmion knew his fans were asking for more options. More options for places to buy the ticket, more price points, and individual day passes. He knew that research shows when
consumers have more options, they are more likely to be satisfied with their purchase, and will likely purchase again in the future.

“We need to change some things” stated Coach Marmion. “What are your thoughts on online sales?”

“I think it is a good idea, as long as we don’t have to give too much revenue up if we use a third party website,” replied Coach Kirkpatrick.

“I think it solves the problem of not having enough options for fans” added Coach Massey. “Agreed” said Coach Marmion.

Coach Marmion continued, “What about the prices?” He knew that in the past prices were set for every person that came through their gates. While this makes it easy for accounting purposes, it restricts the options fans have. He also knew that many entertainment events and activities have different prices for different people to consume the same product. This is known as price discrimination, and is based on consumers’ price sensitivity. For example, an elderly movie goer will likely pay less for a movie ticket than an adult. This is generally acceptable because elderly people typically have lower incomes. We need to charge a lower price for our students and senior citizens. This will probably help make it more affordable for families.”

“Good idea” said Coach Kirkpatrick. “We also need to be thinking of our policy on the multi day only pass. Some people can only come to one day, or don’t come the last day of the three day tournament because their team is no longer playing. Or they only come if their team makes it to the finals.”

“You’re talking about price bundling” stated Coach Marmion. “That’s a good idea. We just have to be sure not to get this whole pricing thing too confusing. Remember, we have volunteers running the ticket office, and have to put all of this into our new online ticket sales platform.”
!MUCHA LUCHA! BUILDING A BRAND

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CASE DESCRIPTION

This case takes advantage of the culinary genius and entrepreneurial spirit of Chef Victor and parleys his creations into the challenge of building a brand image that will create distinctiveness in a highly competitive homogenous market. The case has a difficulty level of four and will challenge senior-level marketing students to develop a strategic marketing plan that will unite and identify the various business units. The case may serve as an individual or team project. Independent research is highly recommended and a minimum of two weeks is recommended prep time for students to develop and refine their ideas.

CASE SYNOPSIS

The case begins with Chef Victor Oliveira unveiling his ideas for his latest concept, El Carnes al Mesquite Restaurant. As he shares his ideas about the restaurant, he also reveals his ultimate goal, to unite all of their ventures under one brand.

His brother and sister are his business partners and their shared memories of gathering in their grandmother’s kitchen bind them and motivate them to providing great dining experiences. The traditions of his family, the recipes they recreate, and their heritage are forces that they hope to include when building the brand.

They know that Carnes al Mesquite will be the new kid on a block that is already crowded with thousands of competitors. They know they must get the customer’s attention, dazzle them with the dining experience, get them to tell others, and get them to come back.

As a graduate of the prestigious Institute of Culinary Excellence in Boston, Chef Victor knows how to run his kitchen and to create fantastic cuisine for his guests. Now he wants to expand and solidify his brand and to capitalize on his early success.

INTRODUCTION

San Antonio is home to 9,429 Mexican food restaurants (www.Chowhound.com). Once the restaurants are sorted to exclude franchises such as Taco Bell and Chipotle, the number becomes 907 (www.Chowhound.com). This makes San Antonio, Texas the location for the highest number of Mexican food restaurants than any other city in the nation.

Current trends in restaurant dining experiences for 2016 include more affordable, more intimate and more collaborative dining experiences that may actually help entrepreneurs such as Victor Oliveira compete effectively in a very large marketplace. Toss in some sensory perceptions to the casual dining experiences such things as wood-fire burning, and the scene is set for restaurants such as Carnes al Mesquite to succeed. And when dining out is not an option, a host of new distribution systems have arrived in the form of technology companies such as Google, uberEats, Amazon Prim Now, Grub Hub, and Yelp, all trying to become part of the restaurant food chain (www.baumwhiteman.com).
Chef Victor’s creations are rooted deeply in northern Mexican culture. Authentic street cuisine is featured in Comida de la Calle while the colorful fruit stands are conceptualized in Tazón de Frutas. His talents range from the unique dining experience of Delicias Únicas to the catering business of Especialista Deleite. His challenge is to create a brand that unties his restaurants and sets his dining experiences apart from all the others.

**Brand Attributes & Authenticity**

“Thanks for coming!” the famous Chef Victor greeted his brother Jaime and sister Rosa. “It’s time to run some ideas by you. We need to brainstorm how we can make a new concept on an old method of grilling profitable. We have been through much as a family, your opinions mean much to me.”

“Thanks Victor, you have great ideas too, so let’s hear them,” says Jaime with a bit of humor.

Wasting no time, Victor begins to tell them about his newest dining concept by asking, “What do you guys think of mesquite grilled meat?”

Jaime retorts, “I love it! Hey, a two inch thick ribeye and a beer are all I need to be happy!”

They all chime in with their favorite mesquite grilled meats that include everything from el cabrito to Porter House to gulf red snapper. They like their brother’s idea!

“Good, because I would like to incorporate the use of the mesquite grill we saw in Guadalajara as a center point for the new restaurant. The grill can be made by a manufacturer in Guadalajara and shipped here to San Antonio via rail car. And, when I pay for it, several of you will need to work for free!” exclaimed Victor as he could not resist teasing them just a little.

“With the special grill we could prepare a variety of meats on the same surface—cook seafood on one side of the grill where the meat is closer to the fire and sirloin steaks on the other, where the cooking surface is further away from the fire,” Victor instructed.

“We can grill an entire slab of pork ribs on one side and an entire goat steaks on the other. I have used this type of grill before. I love using it to grill meat. Carne delicioso!” shouts Victor.

Rosa, thinking like the Marketing Director for the businesses, asks, “What do you want the new idea to represent? So, you are grilling meat over mesquite. What is the unique selling point?”

“Think about it Rosa, it’s a really big grill—it is nearly the size of an entrance foyer in any of the other restaurants. Yes, I realize that we need something more than just saying, ‘come eat here, we have a really big grill,’” Victor pauses. “I want our brand to represent the uniqueness of our Mexican heritage and to show the ‘fun’ side of Mexico.”

“¡Mucha Lucha! Free wrestling! That can be the theme to the new restaurant! I want something macho for this place. The walls can be decorated with masks, the logo for the restaurant will be a mask. No other Mexican food restaurant in San Antonio uses the masks of Lucha libre. We will!” he exclaims.

“You have this huge grill and masks, now what else?” Jaime queries.

Victor’s eyes narrow and his voice lowers then he says calmly, “Our most difficult task will be to create an image that establishes our unique identity, transcends Carnes al Mesquite, and binds all of our ventures into one recognizable brand.
Servicescape & Brand Identity

The framework for understanding servicescape effects on behavior of customers bases from basic stimulus-organism-response theory (see Zeithaml, Bitner, Grimler 1996). In a multidimensional environment is the stimulus, consumers and employees are the organisms that respond to the stimuli, and behaviors directed at the environment are the responses. Customers and employees will behave in certain ways depending on their internal reactions to the servicescape. Physical evidence in a service setting, servicescape, can have a profound effect on the customer experience.

Therefore, a huge grill that adds to the visual and olfactory senses and masks that stimulate the customers’ imagination as to what real Mexico entertainment is like, combine to enhance and direct customers’ experiences at Carnes al Mesquite.

“The grill!” exclaims Rosa.

“What about it?” says Jaime.

Rosa explains, “That’s our unique selling proposition! That’s what makes us unique. If we can work it out so that the grill is shown to the guests as they enter or eat in the building, it will really make a difference in the atmosphere.”

Chef Victor jumps into the conversation. “That’s a perfect location for the grill!” he says.

“I have a concern with the grill” states Jaime. “If we put the grill out in the open, what do we do about the heat? And the smoke? I don’t think people really want to eat somewhere that is hot and smoky.”

Victor jokingly responds “Don’t worry Jaime. They make vents for that!” After a few sibling jabs at one another, Victor continues, “In all seriousness, those are good questions. I would suggest we do invest in a vent that will blow smoke out of the grill area. This will not prevent the smoky smell from entering the eating area completely though.”

“That’s actually a good idea I think” interjects Rosa. “The smell of burning mesquite wood will add to the atmosphere of the restaurant. It reminds people of the authentic nature of the food, she concludes. “We do need to add a clear shield between the grill and the guests, for health purposes. Putting this in will also help control the heat, along with the vent,” Rosa adds.

Shifting the conversation away from the grill, Rosa begins a dialog about the décor. “To take it even further, how about we work with our contacts in Mexico to ship in art and décor items from these regions of Mexico? We could bring in these to complement your idea of the Lucha Libre masks.”

“What about the color?” asks Victor.

Jaime jumps into the conversation, “It should be the culture driven concept--the colors should enhance the masks on the walls. I don’t necessarily mean we should have a different color on each wall, but the color scheme should be the bright colors of the northern and central Mexico.”

Rosa responds “That’s a good idea Jaime!

Victor asks, “Rosa, Jaime, what are your thoughts on the entrance to the restaurant?”

“It needs to be welcoming—as if through those doors pass the world’s greatest people, our customers,” Rosa replies, and Jaime agrees.

“Then, we need a relaxed and rustic environment. We will serve the food in a family dining, simple, yet elegant, setting,” Victor concludes.
In The Shadows

Once they opened their doors, the restaurant took off! He now has four distinct food businesses running well. In the shadows of all the great things Chef Victor and his siblings do to create a unique dining experience for people, lurks a major stumbling block in the road to success—each organization is its own, separate strategic business unit (SBU), and lacks the identifying brand equity that is Chef Victor’s dream. He wants people to know the restaurants as a family of restaurants that offer fun experiences in authentic, Mexican culture.

Cold Greetings and Warm Food

As the fragrance of some of the best meats in the nation cooking on the grill wafted throughout the restaurant, only one person, Gene, from the wait staff attended to several tables of patrons that have stopped in for a late Saturday lunch.

He and his wife moved to San Antonio last year after he was accepted into the law program at Saint Mary’s University. While he attempts to complete his law degree at Saint Mary’s, his wife, Anna, an accounting major, works part-time in a local accounting firm.

Gene decided to work part-time at Carnes al Mesquite to help him pay off some of the student loans he acquired earning his bachelor’s degree. Law school is expensive, too, and Anna’s salary was just not enough to keep him in school.

Most days at Carnes al Mesquite are pleasant, predictable. Saturday afternoons meant that many of the patrons were ready to relax and enjoy Mexican comfort food and drinks before getting ready for their nights out at many of the other San Antonio clubs.

This afternoon, though, was anything but predictable. He had been working on a case for a particular presentation at school. None of his team members were helpful—they left him to complete the brief for the case.

Chef Victor had called a meeting of all the wait staff, servers and runners to begin teaching them about the culture of Carne al Mesquite. Why should Gene care about Victor’s culture? The entire meeting was boring.

Gene had intended to work only the evening shift, but when another wait staff person asked him to cover his shift, too, he accepted. He needed the money.

There seemed to be absolutely no time to work on the case brief for school—it was due Monday morning. He already starting to tire at the restaurant, the other two wait staff people were taking one of their many breaks. From Gene’s perspective, he was the only one that tried to serve the customers well.

One of the assistant chefs failed to show up for the afternoon shift. Chef Victor was hurrying everyone working to complete the orders, but it seemed to be taking forever to have everything plated.

As a water boy tried to help Gene, his tray tipped and several glasses crashed to the floor. Of course, one of the full water glasses spilled down a patron’s back. This particular patron had already inquired how much longer their food was going to be. Add the cold water treatment to his simmering mood, and it was a recipe for a horrible review.

“What do you think you are doing?!” shouted the surly diner.

“What do you think you are doing?” Gene quickly responded as he stepped in to help the water boy.

“I’ve been waiting here for more than forty-five minutes for my food. My drink just came out, and it was too weak to be good!” continued the diner.

“Leave, then,” continued Gene in a firm voice, “Just leave.”
SPEEDY TRANSPORTATION

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CASE DESCRIPTION

The case primarily involves operations management issues of transportation shipping and routing. Secondarily, vehicle routing issues could surface and need to be addressed. This case is appropriate for anyone taking or having taken undergraduate operation management. Typically, these types issues are address at the sophomore level of instruction.

This case is designed to be taught in a 1-class hour period and it should be expected that each student spend 3-4 hours outside the classroom in preparation.

CASE SYNOPSIS

On an early morning in February 2016, the workers at Speedy Transportation met with the owner to complain about working conditions. The primary concern was wage and compensation. The owner, Michael Fortner, decided to explore some options to try and make the company more competitive and profitable in hopes this could provide a means to increase wages. Michael met with some knowledgeable experts and consultant in the field of operations management, transportation and supply chain logistics. They advised him of several possible options for him to consider.

The first was to analyze his efficiency levels in terms of transporting goods in proper lot sizes. Secondly, suggestions focused on ensuring an effective transportation route for his vehicles. Results of these should provide insight into current productivity as well as means of improvement, which would hopefully translate into either lower costs or higher revenue. This would effectively alleviate some of the workers concerns and also possibly allow for improvements such as increased wages.
MICROLENDING AS A PEDAGOGICAL FRAMEWORK FOR ENTREPRENEURSHIP EDUCATION

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ABSTRACT

This paper describes an interdisciplinary, experiential learning course-Microlending in Nicaragua. The course focuses on business planning and uses microlending as a platform to integrate aspects of entrepreneurship and service learning. Students work in multidisciplinary teams and serve as consultants to entrepreneurs in Nicaragua. At the conclusion of the consulting assignment, each team prepares a business plan for its client’s business and makes a recommendation in regard to the client’s microloan application. This paper provides a framework for the use of microlending with elements of microbusiness consulting, experiential learning, and international study as tools in entrepreneurship education.

INTRODUCTION

The growth of entrepreneurship as an academic discipline is well documented. As entrepreneurship has grown as a discipline, academics have begun to evaluate business curricula and the various pedagogical methods that have been used in entrepreneurship education (Envick, Madison & Priesmeyer 2003). Arguments have been made that the traditional pedagogies and the traditional business core designed to prepare students for corporate careers is not well suited to the needs of students that intend to be entrepreneurs (Kuehn 1995, Gresham & Franklin 1996).

In response to this gap, educators have started to look for pedagogical methods that better address the needs of entrepreneurship education (Envick, Madison & Priesmeyer 2003). These pedagogical shifts include collaborative learning as a method to enhance interpersonal skills (Borgia & Segal 1999), social ventures to manage complexity (Noyes & Linder 2015), and international study to learn to deal with ambiguity (Peterman & Kennedy 2003).

This paper describes an interdisciplinary course - Microlending in Nicaragua that combines elements of microbusiness consulting, international study, and social enterprise. The course focuses on small business planning in an international context and uses microlending as a platform to integrate aspects of entrepreneurship and service learning.

MICROBUSINESS CONSULTING IN ENTREPRENEURSHIP EDUCATION

Business consulting involves a range of skills. Viswanathan, Fontenot, and Hoffman (1992) advocate the use of courses with hands-on applications of small business consulting to help students develop analytical, interpersonal, operational, and entrepreneurial skills. In their study of the educational outcomes of small business consulting experiences, they found that students that had participated in courses based on small business consulting had a better understanding of the workplace and learned skills that were transferable to their future careers (Viswanathan, Fontenot & Hoffman, 1992).

Clark and Stewart (2012) argue that the business principles students learn in class are often context free and can be applied to a variety of alternative business situations. Experiential
learning provides students with concrete situations to apply academic principles from their coursework. Our course was constructed with experiential learning, specifically service learning as the core focus of the course activities. It was designed to expose students to a variety of business models in Nicaragua with significant time spent working with their microconsulting clients. This provides students with multiple views of business within Nicaragua and the opportunity for the hands-on application of fundamental business skills in their consulting assignments.

**INTERNATIONAL STUDY IN ENTREPRENEURSHIP EDUCATION**

As Peterman and Kennedy (2003) note, entrepreneurship education with a focus on international settings has been overlooked in favor of more traditional high-growth markets such as the tech sector. Entrepreneurs frequently experience ambiguity, complexity, and uncertainty in the launch, operation, and expansion of their businesses (Emmett 1999). They often have to make decisions based on novel, sometimes contradictory, information from a multitude of sources (Envick, Madison & Priesmeyer 2003). The ability to deal with ambiguity and uncertainty are important in entrepreneurship education. Noyes and Linder (2015) note that approaches currently used to develop and evaluate entrepreneurial opportunities do not translate well into situations that lack shared culture. International study courses working with Nicaraguan entrepreneurs provides students with an environment rich in possibilities to explore ambiguous, complex, and uncertain situations as well as the opportunity to develop greater cultural awareness.

Resources that entrepreneurs use in domestic markets for decision making, such as reliable secondary data, are often absent in developing economies. As such, entrepreneurs working in developing markets must learn to work in uncertain, multifaceted cultural, and economic environments. Noyes and Linder (2015) contend that in these situations, significant interactions and creative, cooperatively developed solutions can outperform traditional data-driven business models.

The course contains coverage of important elements of cultural awareness and extensive opportunities to interact with people from a different culture. During the international travel portion of the course as students are working on their consulting projects, they have intensive interactions with their clients. In conjunction with their entrepreneurs, students are pushed to develop the best business plan that they can for their clients. Students are coached to make sure that their recommendations to the clients are consistent with business practices in Nicaragua and are not based on actions that would work in the U.S., but may not translate to a developing economy. The interactions with entrepreneurs force students to deal with novel and often complex situations.

**COURSE DESIGN**

The course is designed to provide students with an understanding of the role that microlending can play in a developing economy, an appreciation of the differences in business practices between the U.S. and developing economies, and the opportunity to develop skill addressing complex global issues with a focus on cultural awareness. The central assignment for the course requires students take on two roles-that of business consultant and that of loan officer. Working in teams, students serve as business consultants for an entrepreneur in Nicaragua that is in the process of starting or expanding a small business.
During the ten-day portion of the course that is conducted in Nicaragua, students conduct in-depth interviews with the entrepreneurs to learn more about the business owners, their businesses, and the markets they serve. For entrepreneurs that have a business that is up and running, students spend time with the business owners at their business locations. Students review any financial data that the entrepreneurs have available and develop financial projections for the upcoming year including sales forecasts, cost projections, pro forma income statements, and cash budgets. Breakeven and other types of analysis are used as appropriate.

In addition to developing a business plan for the client, students have to evaluate the client’s credit worthiness, and make a recommendation on the entrepreneur’s microloan application. In addition to examining the viability of the client’s business, students also consider any previous or current loans the business owner may have as well as the client’s access to other financial resources. Finally, the entrepreneur’s character is taken into consideration. Upon returning to the U.S., each group presents its client’s business plan as well as a recommendation about microloan application to a group of students, faculty, and administrators.

In preparation for work on the business plan and making the microloan recommendation, there are a series of short assignments that students complete before the international study portion of the course. These include assignments such as a Kiva Microloan Recommendation Assignment, a class discussion about the documentary Living on One Dollar, an assignment on the Progress out of Poverty Index, and a Financial Analysis Scenarios Assignment.

To gain experience interviewing and working with an entrepreneur as a consultant, students prepare an Abbreviated Business Plan including financial analysis for a hypothetical company. There are also a number of other assignments to help students develop an understanding of the business environment of Nicaragua.

To structure reflections on their experiences in Nicaragua, students maintain a journal to document their experiences the course. There are pre-travel entries, entries for each day in Nicaragua, and post-travel reflections. The post-travel reflections take the form of an International Insights Report where students reflect on the most important lessons they learn during the course.

**STUDENT IMPACT AND PEDOLOGICAL IMPLICATIONS**

Over the years, student response to the course has been overwhelmingly positive. Our most effective tool in recruiting students to take the course is word-of-mouth from previous participants. In fact, the course has become so popular that we are no longer able to accommodate all of the students that would like to participate in the program in Nicaragua.

In their reflective journals, students consistently identify the time spent with the entrepreneurs and host families as the most significant experiences in the course. Students describe the experience as “eye opening”. One of the most poignant reflections from a student was on the privileges that his background has afforded him in terms of educational and economic opportunities, as well as never having had to worry about going hungry or having adequate housing.

**Educational Outcomes of Microbusiness Consulting**

As consultants, students face a wide range of business situations in the course. Students are exposed to a variety of business models, various business objectives, and businesses at various stages of development. Some entrepreneurs in the program already have businesses up and running
while others are just getting ready to launch a new business. So, students have to be prepared to
shift from issues related to starting a business to concepts related to maintaining or growing a
business.

As consultants, students have to identify those areas of business where each entrepreneur
needs assistance. To their surprise, there is an almost ubiquitous lack of bookkeeping even
among their clients that are experienced business owners. Beyond bookkeeping, the skills that
entrepreneurs need vary considerably.

Marketing skills, particularly in defining target markets, identifying competition, and
establishing promotional strategies are a common need. During interviews with students, it is
very common for entrepreneurs to report that they have no competition. However, once students
spend more time with the entrepreneurs at their places of business, they are almost always able to
identify competitors in the entrepreneurs’ market area. Other entrepreneurs need assistance
understanding the fundamentals of costs and margin analysis so that they can increase
profitability. Clients have also had needs in identifying growth strategies, developing savings
plans, and prioritize strategic opportunities.

Implementation of basic tools such as market analysis, breakeven analysis, compiling
income statements, budgeting and developing marketing strategy reinforces what students have
learned in their core business classes. In many cases, students understand these ideas on a
conceptual level, but when faced with having to apply those concepts to a novel business
situation, they find it challenging. Identifying the data needed to perform the analysis, pulling
that data together from an unstructured collection of information that they are able to glean from
their interviews with the entrepreneur becomes a challenging task, but it results in deep learning.

Although the consulting assignment and development of the business plan is based on the
idea that students will be teaching their clients essential business skills, one of the most striking
insights that students make is the realization that they learn as much from the entrepreneurs as
the entrepreneurs learn from them. As students see the numerous business and financial decisions
that their clients face every day, they develop a much better appreciation for the how savvy and
resourceful these entrepreneurs are.

Educational Outcomes of International Study

Students are challenged to make sure that their recommendations to clients are
consistent with business practices in Nicaragua and are not based on tactics that would work in
the U.S. but may not translate to a developing economy. This requires them to rethink some of
the assumptions that they carry into their consulting assignments. For example, although many
think that developing economies rely solely on cash-based exchange, many of the
entrepreneurs offer their clients’ credit, presenting complex cash flow issues.

The use of technology is another place where assumptions must be challenged. The use
of Facebook as a marketing tool is widespread in Nicaragua, particularly among younger
entrepreneurs. For some of these businesses, Facebook is the most important driver of growth
in customer base. Convincing mature business owners to embrace Facebook as a marketing tool
and providing those entrepreneurs with basic guidance on the use of Facebook can spark
growth for those business owners. Working in an international context challenges our students
to think creatively, and small marketing budgets require students to consider unconventional,
“guerilla marketing” tactics.

One of the biggest impacts on students is in the area of communication skills. Working
with a translator presents challenges even for a seasoned professional. Things get lost in

translation. This is particularly common when field-specific, technical terms are being used. The interpreters that we use are students from our affiliate’s English language school. Few of the interpreters have experience in business making the use of common business terms like “core competency” or “strategic advantage” problematic. Communications consistently require more time than expected as students have to explain these basic concepts. The upside to this is that it requires students to think about basic concepts that they have seen in previous coursework and put those concepts into the context of their clients’ experiences.

CONCLUSION

The experiences our students have working as consultants help to reinforce concepts from other courses and integrate concepts across disciplines. The students learn to deal with ambiguity, complexity, and uncertainty; and they develop a greater sense of cultural awareness. Significant learning takes place about microlending and how programs focused on social issues such as poverty can be addressed through business initiatives.

We hope to inspire students to continue with service work in the future. Exposure to entrepreneurs where students can see their drive to succeed even within an environment of limited opportunities serves as a big inspiration. They see the impact that a microloan can have on an entrepreneur and the entrepreneur’s family. They experience life with a family in a developing country, and the students gain a deepened appreciation for the opportunities that they have been afforded in life.

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EXPLORING COGNITIVE BIAS IN ENTREPRENEURIAL STARTUP FAILURE

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ABSTRACT

Due to its contributions to economic growth, scholars and policy makers have sought to stimulate entrepreneurial activity. Are efforts to promote entrepreneurship giving many hopefuls unrealistic expectations, thus encouraging them to undertake potentially risky and damaging start-up behaviors? Is it possible instead that investing resources to discourage potential entrepreneurs with poor prospects might be a more effective strategy? A predominant focus on increasing business startup rates may ignore the reality that not everyone who wants to be an entrepreneur should be. The benefits to society of entrepreneurial development might be enhanced if those bound for failure were discouraged from making the plunge. If we can identify these people, we may be able to warn them of the potential downsides that await. We believe that reducing cognitive bias and giving entrepreneurial candidates pause for thought before launching a business deserves scholarly attention.

In this paper, we show that entrepreneurial candidates who have distorted views regarding entrepreneurial success are especially likely to fail at business startup. We first report on the results of twelve in-depth interviews with expert counselors for Small Business Development Centers that emphasize the challenges of cognitive biases. We then present the results of a quasi-experimental intervention to give 69 candidates realistic information about what they face. The intervention reduced attractiveness of symbolic appeals related to business opportunities. The results of the study offer support for the use of educational interventions emphasizing realistic information about entrepreneurial startups.
CULTURAL DIFFERENCES AMONG NIGERIAN AND SOUTH AFRICAN ENTREPRENEURS

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ABSTRACT

Nigeria is a masculine society. Men generally perform most of the customer service functions for instance most restaurants servers are male. factor that contribute to this is that Nigeria had a large Muslim population and because of several religious practices, the contact between men and women tend to be very limited. Nigeria is a collectivist society. Individuals are always expected to act for the common good of the society as a whole, however, the influence of western culture is eroding this values as corruption continues to be rife in the society. Research shows that Nigerians score about average in uncertainty avoidance. That number is debatable, because Nigerians tend to be risk takers. While their religious belief puts their fates in a higher being, Nigerians tend to be very resourceful and adventurous in seeking better lives for themselves. Nigerians also have a high power distance orientation. They pay particular attention to status, rankings, titles and people who have these are generally revered and treated differently. Nigeria scores very low on long term orientation; in a country where the life expectancy is low, individuals tend to be indulgent and not surprisingly, they score high on indulgence. South Africa share similar characteristics as Nigeria in terms of masculinity and uncertainty avoidance. However, South African have a more individualistic society and score lower of power distance. South Africa is a more developed country compared to Nigeria and ranks higher on the human development index.

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SWITCHING COSTS AND REVERSIBILITY IN INFORMATION TECHNOLOGY ADOPTION AND INVESTMENT DECISIONS

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ABSTRACT

Managerial decisions on adoption of innovative technologies by a firm are made under uncertainty and must account for network externalities that imply the benefit of a technology is received not only from its intrinsic payoff, but also from the size of the network of other adopters. This study demonstrates that for firms evaluating technologies with network effects key determinants of the technology selection pattern are adoption reversibility and switching costs. The irreversible adoption case gives advantage to the safer established technology as choosing a riskier untested technology opens the firm to the risk of being stranded without a network of followers. With lower switching costs, the technology adoption decision is reversible, giving the edge to the riskier choice. A discussion of empirical evidence on technology adoption in IT provides application for the theoretical model.

INTRODUCTION

In the information technology (IT) area, managerial decisions on adoption of new innovative technologies face a number of challenges. The process of technological innovation is characterized by inherent uncertainty. Investments in new technologies have varied levels of risk as newer innovative technologies that offer improved performance may also offer a lower likelihood of successful development (Krishnan and Bhattacharya, 2002). Furthermore, IT adoption decisions may be influenced by choices of other economic agents. With a network externality, the benefit to an individual or an organization of choosing a technology consists of its intrinsic payoff plus the “network” value from others adopting the same technology.

Economic research on network externalities provides insight into the pattern of technology adoption in industries that face such network effects. Farrell and Saloner’s “lock-in” argument (Farrell and Saloner, 1985, 1986) suggests that the presence of a dominant installed base can inhibit the introduction of new technologies. Buyers exhibit "excess inertia" in their choice of technology arising from the unwillingness to forego the current network externalities from existing technology. In contrast, models of Katz and Shapiro (1986, 1992) can exhibit the opposite behavior labeled "insufficient friction" that involves a tendency to adopt emerging technologies. In such models, forward-looking buyers of durable products favor new technologies in anticipation that the new technology will provide access to future networks externalities.

A fundamental example of adapting the economic analysis of network externalities to IT is presented by Au and Kauffman (2001) who model technology adoption for the electronic bill presentment and payment (EBPP) industry. Their model considers an irreversible choice between two competing technologies in which billers are more likely to adopt the safer existing
technology early, even though the untested technology might be superior to the proven one. Au and Kauffman’s results follow from the assumption that technology adoption is irreversible. This assumption originates in the economic models of technology adoption by Choi (1997, 1998).

Case study evidence, however, suggests that technology choice in IT does not have to be irreversible, and firms may change their technology decisions with certain switching costs. Lee et al. (2003) discuss the microprocessor market, and note that the switching costs for advanced users of server hardware are lower compared with the switching costs for users in the personal computer market. Their analysis describes how the riskier reduced instruction set (RISC) technology became dominant in the server market, while the safer complete instruction set (CISC) technology continued in the personal computer market. Another case study of choosing between a safer and a riskier technology is provided by Krishnan and Bhattacharya (2002). The case involves Dell selecting the technology for portable computer batteries. The safer option was to use the tested and 100-percent operational nickel-metal-hybrid (NiMH) batteries, while the riskier option was the lithium-ion technology (LiIon). The chances for success of the LiIon technology at the time were evaluated at only 60-percent. The technology choice was not irreversible, as only 30-percent of work would have needed to be redone. While Choi’s (1997) as well as Au and Kauffman’s (2001) models suggest an advantage to staying with the safer technology, we demonstrate that with sufficiently low switching costs there can be benefits to selecting the riskier technology. This was the ultimate outcome in the Dell case.

This theoretical study explores the link between technology selection at the organizational level and the ease of switching between technologies once the adoption decision has been made. Analytical results demonstrate that for IT selection decisions that feature network externalities, irreversible adoption introduces an aversion to risky technologies, while sufficiently low switching costs that make switching possible provide an advantage to risky technologies. Specifically, with low switching costs, the incentive to try the riskier technology choice is enhanced, as the benefits of a network will still be available to the decision-maker through switching if the selection of an untested technology leads to the realization of a lower payoff value. This offers a new perspective on whether network effects restrain innovation and reinforces the central role of the cost structure in the technology adoption decision.

**SEQUENTIAL-CHOICE TECHNOLOGY ADOPTION MODEL**

The objective of the study is to consider the implications of different levels of switching costs on technology adoption with two alternative and incompatible technologies, A and B. Suppose that adopting technology A provides intrinsic value $\alpha$ and the return related to the final size of adoption network $v_n$ if $n$ of the $N$ firms adopt A. Adopting technology B provides return of $\beta + v_n$ if $n$ of the $N$ firms adopt B. Returns $\alpha$ and $\beta$ are drawn from the distribution functions $F$ and $G$, respectively.

Technologies A and B can be considered “experience goods” in that the value of a technology is discovered only after it has been selected. This value is revealed to all firms when one firm adopts the technology. There is a finite cost $C_i$ of switching from technology $i$, and firms cannot delay their adoption decisions. We start by considering a benchmark case with no
network effects. Then, we describe the case of high switching costs and network externalities that is designed to replicate the results of Choi (1997) as well as Au and Kauffman (2001). We move on to consider the results for medium switching costs, and low switching costs case in order to summarize the impact of switching costs on optimal technology adoption.

**High Switching Costs and No Network Externalities**

Suppose the first user adopt technology $A$, and realizes value $\alpha$. For the moment, assume that the switching cost is sufficiently large so that firms adopting technology $A$ will not find it advantageous to switch to the alternative technology. Without network externalities ($v_N = v_{N-1} = \ldots = v_1 = 0$) the second, risk neutral decision-maker will choose technology $B$ if its expected value, $E(\beta)$, is greater than the realized value of technology $A$. Further, the second decision-maker will not subsequently switch from $B$ to $A$ if the cost of switching is sufficiently large, namely if ($C_B > \alpha - \beta$), where $\beta$ is the lower bound on the distribution of values for technology $B$. In this case, the likelihood of technology $B$ being considered is given by $F(E(\beta))$, the probability that the realized value for $\alpha$ falls below the expected value of $B$.

**High Switching Costs and Network Externalities**

Now consider the case when network externalities are present such that $v_N > v_{N-1} > \ldots > v_1 = 0$. Again assume the first decision-maker chooses technology $A$. Further assume the cost of switching from $B$ to $A$ is sufficiently high to rule out the second decision-maker switching, namely that $C_B > \alpha + (v_N - v_1) - \beta$. In this case, the second decision maker will hesitate in adopting technology $B$, as all other firms will choose $A$ if the realized value of technology $B$ has a comparatively low return, $\beta < \alpha$, resulting in the second decision maker forgoing the benefit of network externalities. In this situation, the second decision-maker adopts technology $B$ only if the following condition (1) is satisfied.

$$E(\beta) + (1 - G(\alpha))[v_{N-1}] > \alpha + v_N$$

(1)

This replicates the main finding of Choi (1997). Note that the above net gain to choosing technology $B$ is decreasing in $\alpha$. Equation (2) defines the unique value of $\alpha^*$ below which the net gain to adopting $B$ is positive.

$$\alpha^* = E(\beta) - (v_N - v_{N-1}) - G(\alpha^*)v_{N-1}$$

(2)

Several conclusions follow from (2). Firstly, technology $B$ may not be adopted even when it has a comparatively high expected value so that $\alpha < E(\beta)$. This contrasts with the case of no network externalities in which $B$ is always adopted when it has a higher expected value. Secondly, a mean-preserving increase in the spread of the distribution of returns for technology $B$ indicating a more risky return will reduce the likelihood of adopting $B$ as it increases the likelihood of missing out on network externalities.
Medium Switching Costs and Network Externalities

In this section, the focus is the implications of lower switching costs for moving from technology B to A. Suppose this cost exceeds the maximum gain from network externalities so that \( C_B > v_N - v_i \), but is not sufficiently large to rule out switching if the realized value of payoff \( \beta \) is very low, such that \( C_B < \alpha + (v_N - v_i) - \beta \). The second decision-maker now adopts technology B if the following condition holds.

\[
(1 - G(\alpha))\left( E(\beta | \beta \geq \alpha) + v_{N-1} \right) + (G(\alpha) - G(\beta_s))\left[ E(\beta | \beta_s \leq \beta < \alpha) + v_i \right] + G(\beta_s)\left[ \alpha + v_N - C_B \right] > \alpha + v_N
\]

The first term on the left indicates the expected return if technology B is shown to be superior to A, and all subsequent users follow the selection of B. The second term on the left indicates the expected return if \( \beta < \alpha \) in which case no one follows the second user, but \( \beta \geq \beta_s = \alpha + (v_N - v_i) - C_B \) so that it is not advantageous for the second user to switch to technology A that is used by other adopters. The final term on the left is the gain to the second user switching back to A after a low realization for technology B’s payoff.

Low Switching Costs and Network Externalities

Finally, consider the case with network externalities if the cost of switching from B is less than the gain in network externalities, such that \( C_B \leq (v_N - v_i) \). Then the second decision- maker adopts technology B if the following condition holds.

\[
(1 - G(\alpha))\left[ E(\beta | \beta \geq \alpha) + v_{N-1} \right] + G(\alpha)\left[ \alpha + v_N - C_B \right] > \alpha + v_N
\]

Note that if \( \beta \geq \alpha \), all subsequent users will adopt technology B. If \( \beta < \alpha \), then the second decision-maker will switch to technology A given the switching costs from B to A are outweighed by the network gains when all subsequent users choose A. In this case, the net gain to choosing B is given by equation (5).

\[
NG_B = (1 - G(\alpha))\left[ E(\beta | \beta \geq \alpha) + v_N \right] + G(\alpha)\left[ \alpha + v_N - C_B \right] - (\alpha + v_N)
\]

Note that the above net gain to choosing technology B is decreasing in \( \alpha \). There is a unique \( \alpha^* \) defined by equation (6) at which the net gain is zero.

\[
\alpha^* = E(\beta) + G(\alpha^*)\left[ \alpha^* - E(\beta | \beta \leq \alpha^*) - C_B \right]
\]

Several conclusions follow from (6). Firstly, technology B may be adopted even though its expected value is below the realized value of A, \( E(\beta) < \alpha \). This outcome would occur even without network externalities. Secondly, a mean-preserving increase in the spread of distribution G increases the likelihood that the firm will investigate technology B. The conclusions reported in the high switching costs case that replicate the analysis of Choi (1997) are thus reversed.

These theoretical results have clear implications for IT decision-makers. In considering a project with switching costs that are sufficiently high to make the adoption decision irreversible,
the firm would be better off in selecting the safer technology choice. If switching costs are low, and the IT investment decision is reversible, then the firm benefits from exploring the riskier technology choice.

Case studies expressly examining technology adoption demonstrate that reversibility of technology choice affects market outcomes. Lee et al. (2003) examine the choice of microprocessor technologies and conclude that greater switching costs in the PC market led to the choice of the “safer” CISC technology, while lower switching costs in the server market led to the domination of the “riskier” RISC technology. Meanwhile, Krishnan and Bhattacharya (2002) describe Dell selecting the riskier option of lithium-ion technology (Li-ion) for portable computer batteries as the technology choice was not irreversible.

A review of the literature demonstrates a variety of switching cost experiences in IT. Comparatively low switching costs are described by Krishnan and Bhattacharya (2002) in the Dell battery technology case, as well as in the empirical study of Tam and Hui (2001) that examines three sectors of computer hardware in a sample from 1960s to 1990s. In contrast, high switching costs are described by Arora et al. (2010) in a study of internet applications and LAN-based operating systems. Varied experiences of these IT markets with technology adoption switching costs demonstrate that an assumption of high switching costs that make technology choice irreversible does not describe the entire economy. Even within the same product market, the magnitude of switching costs may shape the market outcome. The theoretical model presented in this study extends the literature by removing the irreversibility assumption and incorporates uncertainty in technology adoption decisions to demonstrate the role of switching costs in forming the adoption decision towards either the riskier or the safer technology.

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BIG FIVE AND CUSTOMER SERVICE IN CANADA, INDIA, SOUTH KOREA, AND THE USA AMONG INFORMATION SYSTEMS PERSONNEL

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ABSTRACT

In the case of Big Five Personality, Openness and extraversion traits prevail in the USA and South Korea. Customer service structures are based on openness and agreeableness. In the case of Hofstede, South Korea has a higher power distance compared to the USA. This means its customer service structure is modeled on a strong hierarchical structures where the boss has complete responsibility. India is a country who is very much a patriarchal, masculine society. This can be seen from many aspects of life including arranged marriages, flashy displays of wealth, and male children inheriting the family’s wealth. The power distance in India is high as well with society being divided based upon the caste system. In fact, this ancient form of societal oppression still dominates the socio-economic status, with certain jobs, education, and marriages being restricted to certain castes. Canada is a very individualistic society. Canadians are not limited and defined by their communities. They are self-reliant and depend on hard work to merit their successes. Canada is also a very indulgent culture. Canadians tend to enjoy life and have fun.

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CUSTOMER SERVICE & THE BIG 5: CULTURAL DIFFERENCES IN INFORMATION TECHNOLOGY IN BRAZIL, GERMANY, AND THE USA

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ABSTRACT

Using Hofstede’s Six Dimensional model and the Big Five Personality Traits, we can examine strategic customer service in the United States of America, Germany, and Brazil. These models allow us to analyze the similarities and differences between the strategic customer service for the above three countries. Cultural values from Hofstede’s Six Dimensional such as masculinity, uncertainty avoidance, and power distance should be highlighted. While openness, agreeableness, and neuroticism should be highlighted from the Big Five personality traits.

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INDIA AND JAPAN: A CULTURAL DIMENSIONAL STUDY OF SUPPLY CHAIN MANAGEMENT

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ABSTRACT

Big Five Personality: According to the research article 'The Geographic distribution of the big Five personality traits, 2007' following are the mean T scores for the Big Five personality traits: Japan: Extraversion - 46.73 Agreeableness - 42.21 Conscientiousness- 37.82 Neuroticism57.87Openness41.53India:Extraversion47.42Agreeableness50.43Conscientiousness-47.36 Neuroticism -50.00 Openness - 48.48 A comparison of the Big Five Personality traits between Japan and India shows the following: 1. India is more social, assertive and outgoing than Japan. 2. India is more cooperative, kind and affectionate than Japan. 3. India is more organized and mindful of details than Japan. 4. India is more emotionally stable and resilient than Japan. 5. India is more adventurous and creative whereas Japan is more traditional. Conscientiousness is the best predictor of performance and strategic customer service followed by extraversion, emotional stability and openness to experience (http://www.scontrino-powell.com/2011/personality-and-job-performance/) Hence, India scores better on future performance and strategic customer service than Japan. B)Hofstede’s 6D model: Using the tool available on www.geert-hofstede.com, we can see a comparison of India and Japan based on Hofstede’s 6D model as follows: India: Power Distance - 77 Individualism - 48 Masculinity - 56 Uncertainty avoidance - 40 Long Term orientation - 51 Indulgence - 26 Japan: Power Distance - 54 Individualism - 46 Masculinity - 95 Uncertainty avoidance - 92 Long Term orientation - 88 Indulgence - 42 India prefers a top to down structured organization where everyone is answerable to a manager above. Whereas Japan prefers an equitable organization where top management and employees work together in making a decision and thus being more productive than India. For example the Toyota Production system is one of the most successful examples from Japan. On the other hand, India gives a higher status to customers than to service providers and therefore builds a stronger and more successful customer service relationship. India and Japan scored similarly on Individualism showing that the two countries have both collectivist and individualist traits. For example, in Japan and in India employees prefer to stay in one company for a long period of time so as to be part of a group (collectivism) and managers allow employees to look after their own work to a high degree (individualism). As the two sides of the coin are balanced, it leads to higher productivity and also innovation. In terms of customer service, India prioritizes relationship with customer over task and hence establishes stronger trust and harmony with customers. Japan places a very high value on gender roles and the society is highly driven by competition, achievement and success whereas India values quality of life and humility along with success at work. As high competition drives productivity, Japan proves to be more productive than India. In terms of customer service, India prefers
maintaining a long term stable relationship with customers while treating them equally whereas Japan prefers to bend over backwards to make things happen for the customer. India scores low on uncertainty avoidance which shows that India is patient and adjusts to new situations whereas Japan is one of the most uncertainty avoidance country in the world. Japan requires maximum predictability and therefore it is very difficult to bring about any change in Japan. For customer service in India, service providers and customers and more flexible and adjusts for practical solutions but on the other hand customers in Japan do not like risk and prefer to be in control making it more difficult to satisfy a customer. India is a normative country and prefers to maintain old traditions while viewing societal change with suspicion. On the other hand, Japan has a high focus on long term goal and therefore has a high rate of investment in research & development and training of employees. India is a more restrained society than Japan where people do not put much emphasis on leisure time and control the gratification of their desires. It is important to note that all of the above attributes of personality and culture interact with each other with varying intensity and therefore have varying effects on performance and strategic customer service in different countries. According to McKinsey, “The key is to develop a customer service strategy that successfully balances costs, revenues generated, and quality. Only then can companies transform their call centers into strategic assets that provide a competitive advantage and promote growth”. In today's economy it is important that customer service changes from an order taking to a long term strategic relationship department. According to the Q2 2015 Zendesk Customer Satisfaction report, India has 83.4% customer satisfaction and ranks 33 in the world. Whereas, Japan ranks higher at 92% (rank 21 in the world). This gives us an idea that Japan is able to establish a more winning customer strategy to deliver a customer value proposition based on a thorough understanding of the customer’s culture, values and needs that delivers an effective life relationship.

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MERGING ACCOUNTING THEORY WITH REALITY – A PRACTICAL EXAMPLE OF EARNINGS MANAGEMENT

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ABSTRACT

This study provides an example of linking empirical-archival accounting research with a practical real-world example of earnings management. By linking accounting theory with practical real-world examples, students enhance their critical thinking skills. Enhancing critical thinking skills supports the deep approach to learning. In addition, accounting instructors that merge accounting theory with real-world examples in the classroom are planting a seed for the next generation of accounting academics.

Keywords: Earnings thresholds, Earnings management, Students’ critical thinking skills, Deep approach to learning
EXPERIENTIAL LEARNING: LOOKING AT GLO-BUS FOR TEACHING INTERNATIONAL BUSINESS COURSES

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ABSTRACT

The use of simulations in business education started in 1957, since then, hundreds of simulations have been developed. In this paper, we present a literature review of the impact that business simulations have in developing decision-making skills, integrative, experiential learning, and team work skills. Building on the generative learning theory, experiential learning theory and bloom’s taxonomy, we tested the simulation Glo-Bus with a number of students divided in 4 groups. The objective was to obtain feedback of the applicability and benefit of using this software to teach decision-making in international business courses. Results showed Glo-Bus being applicable to senior level or capstone international business strategy courses and appropriate as an experiential learning tool. However, a series of difficulties and software inflexibilities were noted. We found supporting evidence for implementing a simulation into the international business curricula to represent an experiential learning prong, even if Glo-Bus was not the most pertinent match.

INTRODUCTION

The process of learning in the context of international business often proves complex as it needs to be representative of the true dynamic nature of the environment in which it takes place. The real life scenarios are often difficult to replicate in the constraints of the classroom, especially in a context that is dedicated to experiential learning. The paper here places a group of students, divided in groups, in the position of making actual business decisions, be affected by benchmark competition and react to reports and economic changes within simulation software – GloBus – as part of a term project. The paper is organized into sections with literature review providing a context for the simulation and project, a theoretical segment placing the subject as an elongation of concepts part of the pedagogical body of knowledge, an organization part pointing to how the student groups operated, followed by collected feedback, conclusions and future use and limitations.

LITERATURE REVIEW

The use of simulations in business and economics education started in 1957 with a program called Top Management Decision Game developed by the American Management Association (Greenlaw et. al., 1962). Top Management Decision Game was the first non-military competitive business simulation. In the following decade hundreds of business and management simulations got developed. Since the mid-1950s, several business simulations have been develop and used in university business and management courses all over the world. By the
mid 1990s over 200 business simulations were being used by approximately 9000 professors in US alone (Dickinson and Faria, 1995).

According to Greenlaw et. al (1962) a business game is "a sequential decision-making exercise structure around a model of a business operation, in which participants assume the role of managing the simulated operation". The objective of business games, also referred as business simulations is to allow students the opportunity to apply theory and concepts into practice, and further develop their decision-making skills. Tompson and Dass (2000) stated that simulations provide student with more experience at exercising control than case studies. They developed a study to measure the level of improvement in students' self-efficacy when using a simulation versus a case study. Several simulations for teaching international business exist in the market today, including the Global Business Game, Business Strategy Game known as BSG, Redundancia, Marketplace, CESIM, Links Global Competition, Glo-Bus, to name a few. Karriker and Aaron (2014) performed a research on BSG and Glo-Bus. The authors conclude that the simulations were engaging and provided the opportunity to bring theory into practice and gave students the ability to gain experience in decision making -all considered main objectives of any business simulation-. BSG was noted to have a learning curve that some students found difficult and others struggled with concepts and made decisions without strategy. According to Karriker and Aaron (2014) unlike other simulations, BSG and Glo-Bus are straightforward in their application of principles, are dynamic and are not devised to force students towards one strategic implementation. Students found BSG and Glo-Bus to be integrative and comprehensive.

THEORY AND PEDAGOGICAL PURPOSE

The use of business simulations has been related mainly to the generative learning theory, experiential learning theory and to Bloom's taxonomy. The Bloom's taxonomy of learning includes cognitive, affective and psychomotor learning. It has been used for studying cognitive learning in business simulations. The pedagogical purpose was to enhance learning through the use of a simulation in order to expose students to an experiential dimension of the course. Students completed and operated in an independent environment, while having the benefit of instructor support and recommendations. The pilot program was analyzed and implemented for the purpose of introducing it on a larger scale and on permanent basis in senior level undergraduate courses. The software -Global Business Strategy Simulation Game (Glo-Bus)- was delivered via the Internet and contained a real life business environment in which the decisions made within a market affected other companies –benchmark competition.

Students worked in teams and over an 8- week pilot program and undertook training and made decisions with regards to a fictitious business endeavor that operated internationally. Every decision groups made affected market conditions, supply and demand, capital markets, operational strategies and customer trends. Each week, considered a round, students got feedback, used to substantiate their group’s next round of decision. The aim was to teach students the complexities of making decisions in a free-market global environment. At the end of each round a set of reports was generated by the system; reports that needed to be interpreted to best inform the next round of decision making. At the end of the term, students turned in a report that served as a debriefing for their decisions, rationales, projections and results. Of particular importance for the turned in report was also the feedback and introspective opinions students expressed about using a simulation in the context of an undergraduate program, their perception of themselves having the skill set to complete the rounds and about the extent to which the
simulation both applied to international business courses and was a tool that should be used in the future. The following section points to the tabulation of just such student feedback.

RESULTS AND STUDENT FEEDBACK

Student feedback is and was a primordial factor in the determining the appropriateness of the simulation and term long assignment and project. The pilot participants’ opinions were found to differ from team to team and even within teams and it generally followed three segments: perceived issues or difficulties with the simulation software, perceived applicability to International Business or an International Market Entry Strategies course and a final evaluation regarding the use of a simulation program as a term project. What we have found was that the issues or difficulties collected were congruent between teams – rationales for which they are reflected as in the table in a point format -, while the applicability and evaluation, while with some commonalities, showed a bit of diversity.

<table>
<thead>
<tr>
<th>Issues or Difficulties and Observations</th>
<th>Applicability</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- steep learning curve</td>
<td><strong>Team A</strong></td>
<td><strong>Team A</strong></td>
</tr>
<tr>
<td>- high initial time commitment,</td>
<td>The software</td>
<td>The software program was engaging, the competitive aspect interesting and thought provoking and investor expectations were interesting. The use of a comprehensive and interactive assignment that mimics real market is a better learning tool than static assignments.</td>
</tr>
<tr>
<td>sometimes overwhelming</td>
<td>should be used in used in a strategy-based international business course, but only for upper 3rd year or 4th year students, yet prerequisite courses will be needed.</td>
<td></td>
</tr>
<tr>
<td>- difficult to tabulate all data and decisions</td>
<td><strong>Team B</strong></td>
<td><strong>Team B</strong></td>
</tr>
<tr>
<td>- need for understanding accounting and finance concepts</td>
<td>The simulation should be used only in a capstone course, such as International Trade Management and it is not applicable to international business or market entry strategies related course work.</td>
<td></td>
</tr>
<tr>
<td>- on later round the decisions making process became easier</td>
<td><strong>Team C</strong></td>
<td><strong>Team C</strong></td>
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<tr>
<td>- could not exit markets because of software inflexibility</td>
<td>The simulation should be used only after accounting, marketing, finance and supply chain courses have been completed.</td>
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<tr>
<td>- lack of relevant consumer and market data for R&amp;D decisions</td>
<td><strong>Team D</strong></td>
<td><strong>Team D</strong></td>
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<tr>
<td>- some guessing was necessary due to lack of reports</td>
<td>The simulation applied to international business courses, yet best for strategic management coursework.</td>
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<tr>
<td>- program became a bit repetitive</td>
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<tr>
<td>- software glitches affected some of the results</td>
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<td>- apt realism with regards to currency fluctuations</td>
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<td>- lack of market entry choices</td>
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<td>- risk analysis of markets is not addressed by the program</td>
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<td>- make use of larger groups</td>
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<td>- cost is appropriate if a textbook is not required</td>
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<tr>
<td>- syncing team members schedules was initially difficult, solved through installing of a communication application on mobile devices</td>
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<td>- unclear and cumbersome videos explaining the functionality of the program</td>
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<td>- more decisions rounds should be included</td>
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The afterthought of the collecting and tabulating the data are best presented in the conclusions, yet they show first an objective assessment of the software and process and second a desire for looking and applying of a different facet of experiential learning tools.

CONCLUSION

Glo-Bus is a good business simulation program that has the potential to add a lot of hands on value within the classroom. It definitely gives students the opportunity to develop strategic business skills and test their company visions by subjecting them to real life business problems. The various business categories that can be accessed and manipulated by the students display the degree of complexity in which a company must oversee in order to fill out its day-to-day operations. Though, we believe this program would be very successful in a classroom setting, it is our belief that it would do much better if introduced in a senior or capstone course where students will be more thoroughly prepared for the various aspects of the program.

The need to further experiential learning is valid in the context of teaching international business courses. The segment represented by simulations as delivered through a consistent software program and system has been welcomed by students and academics alike, yet significant difficulties remain, such as: (a) software programs attempt to cover a multitude of subjects; subjects at times unrelated with international business undergraduate courses. Available programs do not necessarily follow student academic progression; progression which would allow for a more comprehensive understanding on how decisions for operating a fictional endeavor need to be made. Students in the pilot program found that only senior learners were able to deal with the level of complexity raised by the simulation. Strategy and marketing seems better represented simulation software wise than international business only content. Most current software programs do not offer the possibility of market exits, subject matter discussed in both international business, management and strategy courses. (b) The learning curve applicable to performing well in the simulation was seen as intensive and only noteworthy if the simulation provided enough rounds to enable alleviation of past decisional errors and understanding of the environmental scope for each decision made. (c) Time constraints faced by students in the context of adding another team project to their coursework load seemed fair towards the end of the first half of the project, if clear instructions were delivered at the beginning of the program. (d) Cost associated with the simulations as an add-on to the textbook material seemed to not play a significant role in the feedback from students, yet price sensitivity appeared on one team’s feedback. (e) All students appeared enthusiastic about the close to “real-life” scenario and the introductions of an objective software program to augment the teaching and assessment material, often seen as static and having lower applicability.

FUTURE USES AND LIMITATIONS

Glo-Bus the benchmark simulation used for the pilot program was well received, yet seen as not necessary applicable to the intended International Business course, fact which prompted the assimilation of different simulation software program - Country Manager – as it offered the ability to better represent International Market Entry and International Business courses. A new assessment will be undertaken after the first full course implementation. The only caveat is that the new simulation will contain significant elements of marketing, finance and accounting, courses strongly advanced as needed prerequisites.
The limitations of the pilot program were on several and start with the scope, software applicability, time allocation and student team centered complexities. The applicability of the software, while promising and far reaching, did not quite address the international business specific course needs. The time allocated by both students and instructors in setting up, presenting and supporting the simulation seems higher than for a typical case study project, at least at the start of the process.

REFERENCES


