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# IMPACT OF QUALITY OF WORK LIFE ON HOSPITAL EMPLOYEES' PERFORMANCE

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## ABSTRACT

*A clean and healthy working environment enhances the performance of employees in an organization and, thus, yields better productivity for the organization and a prosperous society. The main objective of this study is to analyze the impact of indoor air quality, lighting, ergonomics, acoustics, and buildings, on employees' performance. Response was collected from 127 employees of 12 different hospitals from Rawalpindi and Islamabad, Pakistan, 104 valid responses were analyzed. Regression analysis, Pearson Correlation, Cronbach's Alpha, and Harmonic Mean was applied to analyze the data. The results have indicated that building comfort level reduces the health complaints and increases the building's general sufficiency. The study will support the hospital managers to evaluate the level of facilities for their employees and the effect of these facilities on the employees' productivity.*

*Key Words: Performance, Quality of Working Life, Facilities, Health and Safety.*

## INTRODUCTION

Working environment of an organization relates with the physical world, and is an important determinant of the performance of employees in an organization. Ventegodt, Merrick, & Andersen (2003) suggest that physical world is one of three worlds in which human beings exist, and the other two include a mental world, and an emotional world.

The overall quality of human experience in the work place is known as quality of work life or simply the QWL (Schermerhorn, Hunt and Osborn, 2002, p. 14). QWL has a strong influence on the mental and emotional state of people that is why there is an increasing realization among the companies to provide more conducive working environment to their employees.

The QWL programmes originated in Northern Europe in 1960s and then spread in other parts of the world (Seo, Putnam & Bartunek, 2004, p. 81). During 1960s, researchers began putting emphasis on the human dimensions of work, however, major breakthrough was achieved in this context in 1972, when a phrase "democratization of work" was coined in a conference held at Columbia University's Arden House (Rose, Beh, Uli & Idris, 2006, pp. 61-62).

Contemporary interest in the influence of physical setting is on the rise. This is partly because "sick buildings" are common and cause employees to experience chronic fatigue, headaches, dizziness, cardiovascular problems, cancer, and legionnaires' diseases. The quality of work environments also influences employees' morale, productivity, and turnover (Carnevale & Rios, 1995). The study of Lau (2000) showed that service organizations that emphasized QWL for their employees tended to have better sales growth, asset growth, and return on asset growth.

Regardless of individual's motivation, capabilities and resources, a supportive work culture and careful considerations to the design, quality and quantity of work demands are more likely to have significant impact on the feelings towards QWL as well as on health consequences in the health sector (Dolan, S. L., Garcia, S., Cabezas, C., & Tzafrir S. S. 2008). In hospitals, QWL is of even

greater importance, as attitudes of employees working in such organizations have high implications for the patients. Moreover, high quality of work life is essential for organizations to continue to attract and retain employees (Dargahi & Yazdi, 2007).

Despite the significant importance of QWL in the hospitals, little work has been carried out in Pakistan. Eventually, advancement towards qualitative improvement in the delivery of health services in the country is slow. To bridge up the data gap, a research study has been undertaken. The study attempts to assess impact of the QWL on the performance of the hospital employees in Pakistan. Findings of the study will be of significant value for the health policy makers, and hospital managers in both private and public sector in the country.

### **OBJECTIVES THE STUDY**

The main objective of this research is to compare the performance of hospital employees with workplace conditions (*physical environment, work organization and social factors*) in Pakistan.

### **CONCEPTUAL FRAMEWORK OF THE STUDY**

Foundations of the present study are based on the framework employed by Tarcan, Varol & Ates (2004) in their study titled “a qualitative study of facilities and their environmental performance”. They used four elements to describe the concept of working environment in organizations, which include indoor air quality, lighting system, ergonomics, and acoustics, as detailed below. Other studies which have provided foundation to the theoretical framework of this study include Olesen, Seppanen, & Boerstra (2006), Heizer & Render (2007), Fernandez (1995), Carnevale (1992), Rowan & Wright (1994), Karapetrovic (1999), Likely (1952), Tarcan *et al.* (2004).

In line with the above theoretical framework, the present study is divided in two parts: 1) antecedents to the health complaints and the building’s general sufficiency level; 2) health complaints and building’s general sufficiency level opinion. The first part finds out that building’s comfort level is comprised of four antecedents i.e. indoor air quality, lighting, ergonomics and acoustics. The second part evaluates the relationship between health complaints and building’s general sufficiency level.

### **RESEARCH QUESTION AND RESEARCH HYPOTHESES**

Based upon the afore-discussed theoretical framework, basic research question explored in the present study is: can improving the comfort level through indoor air quality, lighting, ergonomics, and acoustics effect the health complaints of employees and building’s general sufficiency? Besides, following hypotheses were tested:

- H1. There is a significant relationship between the indoor air quality of a building and a building’s general sufficiency level, according to the employees’ opinions.
- H2. There is a significant relationship between the indoor air quality of a building and the health complaints related to the building according to the employees’ opinions.
- H3. There is a significant relationship between the lighting of a building and the building’s general sufficiency level, according to the employees’ opinions.
- H4. There is a significant relationship between the lighting of a building and the health complaints related to the building according to the employees’ opinions.
- H5. There is a significant relationship between the ergonomics and the building’s general sufficiency level, according to the employees’ opinions.
- H6. There is a significant relationship between the ergonomics and the health complaints related to the building according to the employees’ opinions.

- H7. There is a significant relationship between the acoustics and the building's general sufficiency level, according to the employees' opinions.
- H8. There is a significant relationship between the acoustics and the health complaints related to the building according to the employees' opinions.
- H9. There is a significant relationship between health complaints and building's general sufficiency according to the employees' opinion.

## METHODOLOGY

The instrument used for data collection was adopted from the study done by Tarcan, Varol & Ates (2004). The questionnaire was pre-tested and was fine tuned (some questions slightly rephrased to create better understanding) on the basis of feedback gained through the pre-testing and discussions with several health practitioners and the HRD experts. The questionnaire comprises two parts. First part contains 17 items and second has 18 items. Questionnaires were sent, through mails, personal visits and emails to 127 individuals (doctors, physiotherapist, psychiatrist and nurses) in 12 hospitals chosen randomly from three categories i.e. (1) government (2) semi-government, and (3) private hospitals. Follow ups helped in achievements of a total of 104 valid responses. So the effective response rate comes to 82 percent, which is quite reasonable. Respondents of this study were employees working in different capacities (medical doctors, nurses, physiotherapists, and psychiatrists) in 12 hospitals of twin cities (Rawalpindi and Islamabad) of Pakistan. Medical doctors constituted half of the total number of respondents.

Reliability analysis Cronbach's alpha was found to be in range from .714 to .915 for all four constructs. The predictive power of the model explains 66.8 per cent (adjusted 65.5 percent) of the variance of the building's general sufficiency level and 37.5 percent (adjusted 35.0 percent) of the variance in the health complaints related to the buildings. The values of the *F* test show the convenience of the model at the level of 0.001.

## RESULTS AND DISCUSSION

Human being exists in what is best described as three different inner worlds parallel to each other. Each contains its own dimension of joy and pain, for instance, the joy of insight and the pain of confusion, positive and negative feelings towards others, and sexual satisfaction or frustration (Ventegodt, Merrick & Andersen, 2003).

The bivariate correlations of all the constructs of health complaints and building's general sufficiency are statistically significant at the level of 0.001 (two-tailed) and support the model (Table 4: Summary of hypotheses, correlation coefficients and significance level).

<b>Table 4: Summary of hypotheses, correlation coefficients and significance level</b>			
Hypotheses	Pearson's	Regression	t values
	Correlation Coefficients		
H1. Indoor Air Quality – Building's Sufficiency Level	.729**	.170	1.612
H2. Indoor Air Quality – Health Complaints	.465**	.667***	5.304
H3. Lighting – Building's Sufficiency Level	.759**	.500***	4.646
H4. Lighting – Health Complaints	.310**	-.546***	-4.327
H5. Ergonomics – Building's Sufficiency Level	.686**	.171	1.882

H6. Ergonomics – Health Complaints	.393**	.181	1.723
H7. Acoustics – Building’s Sufficiency Level	.310**	.154*	2.218
H8. Acoustics – Health Complaints	.328**	.286***	3.277
H9. Health Complaints – Building’s Sufficiency Level	.650**	.650**	8.645
*Correlation is significant at the 0.05 level (2-tailed); ** Correlation is significant at the 0.01 level (2-tailed) *** Correlation is significant at the 0.001 level (2-tailed).			

Regression coefficient is significant for all the hypotheses except H1, H5 and H6 while for H4 (Lighting - Health Complaints) as shown in Table 4: Summary of hypotheses, correlation coefficients and significance level. The employees are frustrated because unscheduled load shedding and more dependent on day light and other resources of light. Most of the respondent did not have enough information about the impact of bad lighting system on their eyes and mental stress. Moreover, lighting arrangements are mostly not properly taken care off.

Survey findings suggest that majority (78 percent) of the participants showed dissatisfaction with the existing lighting arrangements at their working places.

	Frequency	Percent	Cumulative Percent
Very low satisfaction	43	41.3	41.3
Low satisfaction	38	36.5	77.9
Just okay	18	17.3	95.2
High satisfaction	5	4.8	100.0
Total	104	100.0	

Weaker response for ergonomics (H5, H6) could be due to the lack of awareness about pros and cons of this area among employees. Most of the respondents are not well aware about the aspect of Repetitive Stress Injuries (RSI), caused by the improper design and placement of furniture and technical equipments.

The weak response of H1, indoor air quality and the building’s general sufficiency, could be because the respondent is not fully aware about the importance of healthy indoor air quality. This could be the job of the architect or environment experts to identify and define the standards of indoor air quality.

H1, H5 and H6 are rejected at the level of 0.05 and the lighting construct is dropped from the model. The study of Tarcan, Varol & Ates (2004) also shows almost similar results. Comparative results of the hospital groups indicate that higher comfort levels of buildings result in lower health complaints. (Insert Table 6 about here)

		HOSPITALS		
Frequencies		Private	Semi-Govt.	Government
Indoor Air Quality	Mean	1.81	2.22	2.22
Ergonomics	Mean	2.21	2.36	2.36
Lighting	Mean	1.76	2.11	2.17
Acoustics	Mean	2.57	2.68	2.68
Health Complaints	Mean	2.12	2.11	2.18

The means data (Table 6: Frequencies of Hospitals) shows that constructs of comfort level i.e. indoor air quality, ergonomics, lighting, and acoustics in private hospital are at the best level compared with semi-government and government hospitals. Therefore, health complaints are at lowest in private hospitals.

### CONCLUSION AND POLICY IMPLICATIONS

The study has concluded that physical settings affect the performance of employees. No matter how capable a person is, if not being provided with good environment or resources, the person can not perform to the optimum level. The study has lead to the suggestion that buildings, old or new, must be equipped with all the basic necessities.

Indoor air quality of the hospitals needs to be improved in Pakistan. Air cleaning devices can be used to remove the pollutants from the room air to improve the air quality (Olesen *et al.* 2006, p. 449). Besides, there is a need for standardization of the lighting arrangements in the hospitals.

In Pakistan, there are some critical constraints in the development and enforcement of the standards for the working environment. One of such constraints is the scarcity of resources, which makes it difficult for the government to adopt such standards in the public sector hospitals and, monitor and enforce them in the private sector hospitals. Second constraint pertains to the adoption of such standards in the private hospitals. Lack of entrepreneurship is the main factor responsible for this phenomenon in the private sector.

It is suggested that the hospital authorities in both public and private sectors must incorporate the policy of QWL in their organizational plans. Besides, it is suggested that some seminars or workshops should be arranged for the employees to create awareness about the areas of ergonomics, and buildings' sufficiency so that improvement in the work environment is facilitated.

The current study will support the hospital management to provide proper work environment to the employees that'll keep them healthy and will enhance their performance.

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# **OLLIE OTTER SAFETY MASCOT: USE OF A SPOKES-CHARACTER FOR A NONPROFIT CAMPAIGN**

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**Kevin Liska, Tennessee Tech University**

## **ABSTRACT**

*To ensure the safety of children traveling in motor vehicles, awareness regarding the importance of using children's booster seats must be heightened. Effective with children and adult consumers, spokes-characters have been used in commercials, in public service announcements, and in packaging products. The Ollie Otter Booster Seat and Seat Belt Program features a spokes-character, Ollie Otter, to promote using booster seats and seat belts to Tennessee's elementary school students. This paper will examine the program's extent of reach and how a spokes-character can increase awareness of and interest in using booster seats among K-4 children.*

# IS AFFIRMATIVE ACTION STILL NECESSARY? AN ANALYSIS OF AFFIRMATIVE ACTION PROCESSES IN U.S. ORGANIZATIONS

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## ABSTRACT

*Historically, discrimination against minorities and women was not only accepted, but the constitution condoned and protected it. The doctrine of white supremacy was so much part of the American culture that in 1857, the United States government's policy concluded that both the North and the South regarded slaves as being of an inferior order. The Supreme Court concluded that slaves were too unfit to associate with the white race, either in social or political relations (Curry, 1996). Throughout the American history, African-Americans, women, and other racial minorities were treated less than citizens. Both African-American and women were not allowed to hold office, serve on juries, or bring suit in their own names. Moreover, married women traditionally were denied the legal capacity to hold or convey property or to even serve as legal guardian of their own biological children. Over the past three decades, the United States has struggle valiantly to overcome that disgusting legacy as it moves toward to eliminate race, and gender inequality, and the uprooting of prejudice and discrimination. Out of this struggle, came the birth of affirmative action. It has left politicians, social scientists, and economists debating its merits and possible alternatives. From the Supreme Court to the dinner table, the potential effects of this policy on our legal, political and social system have been argued.*

*This paper will analyze affirmative action in employment with respect to women, and minorities of all racial backgrounds. An analysis of attitudes and knowledge of Affirmative Action by working adults will be examined and results given on these findings. A total of 151 working adults participated in this study. Results provided mixed support of hypotheses that suggested that Affirmative Action had eliminated most discriminatory practices in corporate America.*

## INTRODUCTION

Affirmative action began as a corrective tool for past governmental and social injustices against African American, women and other demographic groups that have been subjected to prejudices. Affirmative action seeks to increase the representation of these groups in schools and in the workplace. African American, women, and other minority groups are proportionately under-represented in an area such as in employment or education. This is predominantly due to past or ongoing discrimination against members of that particular group. In such case, it is believe that government action giving members of the minority group preferential treatment is necessary in order to achieve a proportionate distribution. Affirmation action was seen as a t transitional strategy, with the intent that over a period of time the effect of past discrimination would be sufficiently countered. As a result, there would not be a need for affirmative action (U. S. Government, 2004).

## PURPOSE OF THE PAPER

The purpose of this research project is to determine employee perceptions towards Affirmative Action and a determination of the need for continued protection by the multiple levels

of government for protected class employees working in U.S. companies that had government contracts. A quantitative analysis will be completed using survey data collected from working adults.

## **LITERATURE REVIEW**

The term “Affirmative action” as it applies in the United States is commonly understood to include the collective policies and positive steps taken to increase the representation of and to promote equal opportunity to women and minorities in areas of employment, education, and business from which they have been historically excluded. These policies may involve preferential selection in employment, education, and public contracting and are intended to maximize diversity in all levels of society and to redress the perceived disadvantages due to discrimination (U.S. Equal Employment Opportunity Commission, 2009).

Discrimination is defined in civil rights law as unfavorable or unfair treatment of a person or class of persons in comparison to others who are not members of the protected class because of race, sex, color, religion, national origin, age, physical or mental handicap, sexual harassment, (U.S. Equal Employment Opportunity Commission, 2009).

Discrimination within the workplace or organization consists of unfair practices that are evident if an employee perceives or experiences unfair treatment or criticism that is not related to workplace performance or ability.

The term “affirmative action” was first introduced in a discriminatory context by President John F. Kennedy in 1961 when he issued the Executive Order 10925 (Edwards). Although cited as the first reference to affirmative action, Executive Order No. 10925 was important for other reasons. First, it required the incorporation in all federal contracts of an equal employment opportunity clause. Second, it established a mechanism for enforcing the mandated clause (Edwards, 1995).

The president’s committee on Equal Employment Opportunity Commission (EEOC) was later replaced by the Office of Federal Contract Compliance, in the Fair Labor Standards Act. In fact, it was the Executive Order No. 11246 that created the Office of Federal Contract Compliance in the Department of Labor. Executive Order No. 11246 order was signed by President Lyndon B. Johnson on September 24, 1965. The main purpose of Executive Order No. 11246, as amended, was to improve the economic and social conditions of minorities by providing equality of opportunity in the workplace. The executive Order itself lays down the general principles of non-construction contractors’ agreement. The basic requirements of the executive order are that federal contractors having contracts or subcontracts with the government in excess of \$10,000 must comply with the non-discrimination requirements. One of the requirements is that federal contractors refrain from discriminating against any employee or job applicant on the grounds of race, color, religion, sex, or national origin.

## **RESEARCH QUESTION**

In considering the research done on the literature the following question is posed for research purposes:

Research Question: Is Affirmative Action Still Necessary To Insure Equal Opportunity for Protected Class Persons?

## **HYPOTHESES**

Given the above research question and reviewing the literature on Affirmative Action the following hypotheses can be brought forth for examination:

- H1: Affirmative Action has eliminated discrimination against minorities and women  
H2: Affirmative Action has eliminated discrimination in training and development opportunities for minorities and women  
H3: Affirmative Action has eliminated discrimination in promotional opportunities for minorities and women  
H4: Affirmative Action has eliminated discrimination in disciplinary actions for minorities and women  
H5: Affirmative Action has eliminated discrimination in terminations for minorities and women.

These hypotheses will be tested by collected data from questionnaires by working adults.

## METHODS USED IN THE RESEARCH

Data was collected from surveys completed by working adults who were polled concerning their beliefs about Affirmative Action. These surveys were completed at local community colleges where working adults take classes in the evening. The data was then analyzed concerning those beliefs to test the hypotheses put forth. Both correlation and analysis of variance statistical computations were run on the data to obtain the reported results in this paper.

## RESULTS AND FINDINGS

A total of (n=) 151 surveys were successfully completed and use for this study. There were 124 females and 27 males involved. There were 9 Hispanics, 34 whites and 108 blacks that took part. There were 36 people who were from 19-25 years old; 70 that were between 26-35; 36 that were between 36-45; 9 between the ages of 46-55 and none older that participated. In looking at the correlation results there is a significant level of inverse correlation between age and the awareness of affirmative action. This may be due to the lessening of awareness of such legislature in today's business climate. However there was marked correlations between race and gender as to knowing about affirmative action. In testing H1: Affirmative Action has eliminated discrimination against minorities and women; we look to the data collected on Question 2. The data provided little correlation to support this Hypothesis from a race and gender standpoint. However there was a large inverse relationship with age. This would indicate that persons that were older than the norm may remember more discriminate events and this is the reason for these responses. Therefore H1 must be rejected and accept the alternative. In testing H2: Affirmative Action has eliminated discrimination in training and development opportunities for minorities and women, data was analyzed from Question 3. Race had a significant correlation with this issue while we see a large inverse relationship occurring with gender and age. Based on the significant correlations, both positive and negative, H2 has support and will be accepted while the alternative will be rejected. The third hypothesis, H3, wishes to determine if Affirmative Action has eliminated discrimination in promotional opportunities for minorities and women. We turn to the data collected on Question 4. In review of the data we find the correlations not significant enough to support the null hypothesis and we will reject it and accept the alternative. Hypothesis 4 wishes to ascertain if there is fair justice for women and minorities by asking if Affirmative Action has eliminated discrimination in disciplinary actions for minorities and women. We turn to the data collected on Question 5 for this analysis. There was no significant support for this hypothesis and therefore the null is rejected and the alternative is accepted. Hypothesis 5 is a continuation of hypothesis 4 in that it asks do corrective actions end up being greater for women and minorities in the form of termination of their employment due to discriminatory practices. To answer this question we turn to Question 6. There was little to no significant support for this hypothesis although inverse correlation was higher among those older in the sample. Therefore the null cannot be supported and we reject it and support the alternative. Two other questions we asked to further gauge if affirmative action was necessary in today's society. Question 7 was posed and gender was significantly impacted by the significance

of response. Age and Race were predicted to have high correlates as well but this was not supported. Question 8 was asked to determine if the issue of racism or sexism outside the issue of affirmative action was still an issue in today's business environment. Race was significantly impacted where gender showed moderate correlation to the question. Age did not seem to be a factor. ANOVA's were then run and their findings support that race and gender show no support for these hypotheses while age had moderate support for several of the hypotheses. In most instances there was support for the alternative hypotheses which indicates that discrimination is still considered to be a major issue in corporate America today and that Affirmative Action may be a method to address this issue. One of the problems with this concept may be that most employees do not work for government contractors and have not had the opportunity to be covered under an Affirmative Action Plan.

## CONCLUSION

Affirmative Action has brought about a major change in relation to the employment relationship and the role of the government. The need for government intervention to insure protected class persons received equal and fair treatment to their white counterparts was created by Executive Order. Although affirmative action is looked at in terms of Title VII or the equal protection clause, neither has played the largest role in bringing it about. The purpose of affirmative action is to address the discrepancies resulting from historical events such as slavery or social pressures that are not necessarily attributable to an employer's or union's own discrimination. This is done by efforts geared toward increasing the number of minorities in a given workforce (Edwards, 1995).

Affirmative action is not perceived to be the necessary governmental checks and balance that it was in the 1960's when it first became law. Today, employees are much more in tune with equal opportunity, as a means to address discriminatory treatment.

This study has provided insight on determining the need for Affirmative Action. It would appear that young employees don't see the vital need of such legislation where older workers, especially minorities and women see this as a continuing critical piece of legislation that allows them equal opportunity with their white male co-workers.

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# AN EVALUATION OF FIVE PREFERENCE AGGREGATION RULES FOR DECISION MAKING

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## ABSTRACT

*Numerous situations call for aggregation of individual preferences and there are many methods for measurement and aggregation of individual preferences. Here we focus attention on preference aggregation for new product concept evaluation. Products go through a product life cycle involving introduction, growth, maturity, and decline. Companies must have ongoing research and development activities to generate new products. To be successful in product innovation, many companies establish an ongoing interface between their marketing and R & D functions.*

*New product development is critical for the long run survival of any organization that operates in a competitive environment. To develop new goods and services for their customers, marketers frequently develop concept statements and measure and aggregate customer preferences about these concept statements.*

*There are many ways to collect and aggregate customer preferences in order to determine the group preference. Preference could be measured on an ordinal or a cardinal scale. This study evaluates five methods of aggregating individual preferences using an ordinal measurement scale. These methods are: Condorcet, Copeland, Plurality, Approval Voting, and Borda. We evaluate the extent to which these five techniques yield consistent or inconsistent results for the same data set. We will also discuss how preference is measured by each aggregation method and whether the Condorcet criterion is satisfied or not. In addition, the strengths and weaknesses of these five methods are also discussed here.*

# SWINDLER'S LIST: ONE HUNDRED YEARS OF PONZI

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## ABSTRACT

*In the wake of the \$65 billion scheme perpetrated by Bernard Madoff, interest in all things Ponzi has never been greater. This article describes how frauds perpetrated against individuals succeed by providing an understanding of the basic concept of white collar crime, the typical profile of a person most likely to engage in fraudulent activity, and details of representative Ponzi schemes orchestrated over the past century. The crimes documented were selected from a history of financial frauds in which early investors were paid higher than usual dividends from cash infusions of later investors.*

## INTRODUCTION

The accepted contemporary definition of white collar crime developed by the National White Collar Crime Center (NW3C) in 2006 states, "white collar crimes are defined as illegal or unethical acts that violate fiduciary responsibility or public trust for personal or organizational gains." According to the Cornell University Law School Legal Information Institute, "Although there has been some debate as to what qualifies as a white collar crime, the term today generally encompasses a variety of nonviolent crimes usually committed in commercial situations for financial gain." The Cornell definition also notes that because the perpetrators of the crime use complicated strategies to conceal their fraudulent activities, these perpetrators are very hard to prosecute.

The "2008 Report to the Nation on Occupational Fraud and Abuse", commissioned by the Association of Certified Fraud Examiners profiled typical offenders as men (59%) age 40-50 with the amount of crime increasing with age. More than 77% of the fraud analyzed by the organization was perpetrated by individuals with at least some college education, and nearly 56% perpetrated by fraudsters holding a bachelor's or postgraduate degree. 82.6% of individuals studied had never been punished or terminated from employment, 5.1% previously punished and 12.3% terminated. Relative to criminal activity, 87.4% had never been charged or convicted, 5.7% had been charged but never convicted, and 6.8% had prior convictions.

## FRAUD

As John Kenneth Galbraith commented, "the man who is admired for the ingenuity of his larceny is almost always rediscovering some earlier form of fraud." Fraud, according to Albrecht is "a generic term, and embraces all the multifarious means which human ingenuity can devise, which are resorted to by one individual, to obtain an advantage over another by false representations. No definite and invariable rule can be laid down as a general proposition in defining fraud, as it includes surprise, trickery, cunning and unfair ways by which another is cheated. The only boundaries defining it are those which limit human knavery" (Albrecht, Albrecht, Albrecht & Zimbekman, 2009, p. 3).

This research centers exclusively on "fraud that is committed against one individual by another in the context of direct face-to-face interaction including the classic con game and predatory activities against clients or customers by unethical investment advisers" (Duffield and Grabosky, 2001, p. 1). Ivar Kreuger, recognized as perpetrating the largest Ponzi scheme of the 1930s said,

"Everything in life is founded on confidence." Usage of this term can be traced to William Thompson, on trial in 1849 for the simplest of cons in which "he would go up to a perfect stranger in the street, and being a man of genteel appearance, would easily command an interview. Upon this interview he would say after some little conversation. "Have you confidence in me to trust me with your watch until tomorrow?" The stranger, at this novel request, supposing him to be some old acquaintance not at that moment recollected, allows him to take the watch, thus placing confidence in the honesty of the stranger, who walks off laughing and the other supposing it to be a joke, allows him so to do" (Bell & Whaley, 1982, p. 46).

When addressing the offenders of frauds committed against individuals in the context of face-to-face contact, Duffield and Grabosky (2001) determined interaction "may manifest a number of traits including lack of affection or empathy, lack of remorse and a general lack of conventional conscience" (p. 2). Blum (1972) characterized this criminal "as impulsive, amoral, uncontrolled and detached from normal relationships . . . and an unusually antisocial group in terms of lack of regard for others" (p.50).

### **ONE HUNDRED YEARS OF PONZI**

Charles Ponzi, the "King of Get Rich Quick", may not have been the first to concoct a scheme designed to separate investors from their money, but he will forever be the namesake of the personality driven scam in which one charismatic individual persuades another into investing money in a phony financial venture. Perpetrating a Ponzi is not much more than robbing from Peter to pay Paul. The swindler takes money from today's investors and uses it to pay off debts to yesterday's investors. Typically, the investors are lured by the promise of excessive profits sometimes as much as 50 to 100% and are often coached to recruit new investors to increase their own earnings. The excitement of the quick return spreads quickly as early investors collect their booty." The inevitability of the scam is "there is no investing going on and the only transactions that occur is the shuffling of money from new investors to old investors" (Darby, 1998, p. 1). Unfortunately, reality will eventually set in and the operation will implode when fresh supplies of new investors can no longer be identified.

Ponzi emigrated to the United States in November 1903 moving from city to city working different jobs and serving prison sentences at least twice before settling into Boston in 1917. Employed as a typist and answering foreign mail, in August 1919 Ponzi discovered his path to the wealth he had always envisioned for himself. He was going to trade in postal reply coupons. What Ponzi identified was a flaw in the coupon system that he could use to his advantage. He realized the value of the International Reply Coupon (IRC) had been set at fixed exchange rates that had not changed since 1919, creating a market in which he could parlay the IRCs into profit if he exchanged coupons from countries with deflated valuations into the higher valued US dollars ostensibly buying low and selling high.

The flaw in Ponzi's coupon scheme was that he probably could have earned a 400 percent profit on individual coupon redemptions but in absolute terms, the net would be infinitesimal. To amass the millions of dollars Ponzi alleged, an enormous amount of coupons would have to be traded. Two important reports were about to emerge that would ultimately lead to panic and a run on Securities Exchange Company. First, after examining Ponzi's operation, financial analyst Clarence Barron reported that to be making the money that he was, 160,000,000 IRCs would have to be in circulation when, in fact, only about 27,000 were. Second, the United States Post Office announced that IRCs were not being purchased in large lots (Zukoff, 2006). Therefore, Ponzi could not hold the millions dollars of liquid assets he claimed. Charles Ponzi was arrested on August 12, 1920.

## Ivar Kreuger

While sailing to American in 1922, Swedish engineer Ivar Kreuger orchestrated a lavish charade to attract attention to himself as a well-heeled businessman. This pretense set into motion the beginning of what was to become one of the century's greatest frauds. Reflecting on the short lived success of Charles Ponzi, Kreuger was intrigued with Ponzi's victims more than the man himself. He concluded that potential investors gullible enough to believe that a 34-year check kiter was capable of doubling their money in six months by exchanging ten cent postal coupons from Europe would believe anything. If that was the case, then America was ready for Ivar Kreuger.

Relying on his well honed charismatic persona, Kreuger and Lee Higginson Bank raised 15 million dollars of International Match gold debentures selling the bonds for \$94.50 for each \$100 of principal yielding a 6.5% return over the 20 year life of the instrument. (Partney, 2009) The question for Kreuger became, how would he get money raised in the US out of the US? Without his investor's knowledge, he began setting up subsidiaries in numerous countries, moving money between them freely. Kreuger's use of market to market accounting and off balance sheet financing sustained his business growth through the stock market crash of 1929 further solidifying his reputation as a Wall Street genius. However, "even with 75 percent of the European match market, Kreuger & Toll did not earn enough profit to support dividends between 6.5 - 25%" (p. 25). Kreuger's inspired strategy to control the world's match market would ultimately decline into nothing more than a Ponzi scheme, the exact scam for which he ridiculed investors over a decade before. The Kreuger & Toll fraud fell apart in the early 1930s as markets all over the world collapsed. Kreuger tried again to borrow money from the Swedish central bank, Sveriges Riksbank, but when the bank insisted on examining the books of his many holdings, Kreuger took his own life rather than cope with disgrace and ruin (it should be noted that his suicide has been questioned over the years with no proof of criminal activity established). After his death, an accounting of the financial statements of his many subsidiaries showed most of his companies had negative worth. Like Charles Ponzi, Kreuger had been exposed as a crook, the only difference being Ivar had raised fifty times more money and his scheme lasted ten times as long (Partnoy, 2009).

## Bernard Madoff

Bernie Madoff, former Chairman of the National Association of Securities Dealers (NASD), co-founder of the Nasdaq, founder and owner of Madoff Securities was a trusted player in the Wall Street financial community. Appearing in federal court March 12, 2009, Madoff stated, "I operated a Ponzi scheme" (Levisohn, p. 38) and although his account of the workings of the scheme and information discovered by law enforcement are in conflict, the fact that the fraud cost customers some \$64 billion is unquestioned. According to the Securities and Exchange Commission Office of Investigation, "between June 1992 and December 2008 when Madoff confessed, the SEC received six substantive complaints that raised significant red flags concerning Madoff's hedge fund operations and should have led to questions about whether Madoff was actually engaged in trading" (page 22). While the SEC now believes the elaborate Ponzi scheme started as early as 1982, Madoff's recollection is it started out innocently enough during the recession of early 1990. His claim of not wanting to disappoint clients of returns on investments he had promised supposedly was the trigger for what became a twenty year long con. Believing he would make money in the future, Madoff paid the promised returns with cash infused by new investors. In court proceedings, he explained that he moved money around accounts in an effort to create the illusion of conducting the client's business and perpetuated the farce by mailing falsified verification of non-existent trades. He also pled guilty to lying to the Securities and Exchange Commission stating, "Clients would have no way of knowing the statements were false" (p. 38). Madoff has refused to implicate anyone else in his scam and has doggedly protected his legitimate businesses managed by his brother and sons.

Because of his stature in the financial community and on Wall Street, no one ever considered that Madoff could be a fraud. In fact, his legitimate businesses were so reputable that the existence of his securities fraud was unfathomable. Even after his confession and conviction, many clients had a difficult time reconciling the thief with the crime.

According to Frank and Efrati, Madoff was "sentenced to the maximum 150 years behind bars for what his judge called an "extraordinarily evil" fraud that shook the nation's faith in its financial and legal systems and took "a staggering toll" on rich and poor alike" (2008, p. 1).

## CONCLUSION

The popular press cried "foul" in the weeks after the Bernard Madoff confession to what was originally believed to be a \$50 million Ponzi scheme. As details of the scam surfaced, the dollars swindled from investors grew to some \$65 million. The American public was outraged. Madoff's crime has been lauded as the largest Ponzi scheme ever perpetrated. The question that needs to be asked is, is this true? An effective method to determine the scope of the offense is to measure the schemes in terms of purchasing power. Using the CPI, the proceeds of the crimes based on the calculated totals when the perpetrator was exposed as a criminal and adjusted to 2008 purchasing power is illustrated in Table 1.

Year	Name	Fraud Total	Adjusted 2008
1920	Ponzi	\$9,500,000	\$102,064,800
1932	Kreuger	\$500,000,000	\$2,364,235,000
2008	Madoff	\$65,000,000,000	\$65,000,000,000

Source: Lawrence H. Officer and Samuel H. Williamson, "Purchasing Power of Money in the United States from 1774 to 2009," MeasuringWorth 2010.

Clearly, Madoff's fraud reaped the greatest reward for the fraudster but not all Ponzi schemes are created equal. Ponzi's scheme was orchestrated over a three month period with Kreuger's lasting ten years. Amazingly, at one point, Kreuger controlled 50% of the entire wealth of Sweden! Using Bernie Madoff's recollection, his fraud was perpetrated over twenty years and the Securities Exchange Commission believes the con existed since the early 1980s.

With the exposure of the Bernie Madoff scandal, one could reason the problem had been recognized and schemes such as the simple Ponzi would have enjoyed enough publicity for potential investors to adequately research the vehicles in which they choose to invest their money. However, the lure of fast, easy money appears to be more than enough impetus for Ponzi schemes to perpetuate. Shortly after Madoff, Allen Sanford was exposed as a \$7 billion dollar fraud.

As difficult as it may seem, the number of Ponzi schemes being investigated by the Federal Bureau of Investigation continues to increase. Investigating 389 cases in 2007 and 429 in 2008, David Nanz, chief of the Economic Crimes Unit of the FBI, reported a dramatic increase in open cases of Ponzi schemes. In 2009, the FBI had 632 open cases and expected more (Bernhard, 2009) as a struggling economy continued to plague the country.

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# **THE CREDIT CARD PLAGUE ON THE AMERICAN COLLEGE CAMPUS: A SURVEY**

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## **ABSTRACT**

*In America, credit cards on campus have been a disaster, leading to students buried in debt before graduation, often with little hope of paying off the debt before high fees and interest double the amount. This research details an exploratory survey of American college students and their use of credit cards. In the current project, we surveyed current business students in 2009. We found significant differences among American students on their use of credit cards. We conclude by discussing the implications for further research in this area.*

# ET TU, BRUTE? RAISING AWARENESS OF THE IMPACT OF END-USER PERSONALITY TYPES ON SYSTEM DEVELOPMENT SUCCESS

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## ABSTRACT

*Practitioners in information systems have long recognized the value of adding end users to development teams. End users have been included based on their role, as relevant to the system under development, and/or with respect to their position of responsibility within the organization. What has been conspicuously absent is the impact of various personality types on project success. While such an examination has been considered for information system professionals, similar scrutiny has not been applied to the end user.*

## INTRODUCTION

Computerized information systems today are pervasive in almost every area of life, from professional to personal. The business which operates without a computer system by necessity must be small and even so is considered rare, if not odd. It is increasingly difficult to find an individual who does not use e-mail, if not also a social network, a personal financial application, or a Web browser. Consequently, as designers and implementers of information systems, we want our systems to be "successful" and accepted by the target audience, which implies that the users are satisfied with the result. Unfortunately, in the history of information systems, too often this has not been the case. Many systems still fail for a variety of reasons (Ewusi-Mensah, 1997; McClure, 2007). Many are abandoned in various stages of design or construction (Oz & Sosik, 2000), or if implemented, do not meet user expectations (Pan, 2005).

Significant research has been done with respect to end-user satisfaction, from Davis' proposal and revision of the Technology Acceptance Model (TAM), which seeks to explain user acceptance or rejection of information systems on the basis of perceived usefulness of a system and its perceived ease of use (Davis, 1989); to the plethora of research these studies engendered; to those who point out theoretical shortcomings of this model and seek to advance research on end-user system adoption (Benbasat & Barki, 2007). Nevertheless, system failure still occurs at a significant cost to business (Charette, 2005) and we still are seeking how we might more meaningfully involve users in the development process (Wagner & Piccoli, 2007).

## USER INVOLVEMENT AND SYSTEM SUCCESS

While in the past, some software development professionals may have perceived users to be less than friendly and therefore distrusted full user participation in development, the concept that there is a positive relationship between user participation and user satisfaction with information systems has been demonstrated empirically (Lin & Shao, 2000). In an effort to increase user acceptance, the industry undertook to involve users formally as part of development teams via user-oriented methodologies such as participatory design, user-centric design, joint application development (JAD), and the like (Pekkola, Kaarilahti, & Pohjola, 2006). Today, most researchers understand that system failure typically is not due to technological issues, but rather to organizational and psychological issues, and that these issues, particularly the latter, require

addressing differences in individuals (Au, Ngai, & Cheng, 2008). Researchers have examined issues of organizations and the effects on system success (Doherty, 2003; Lorenzi, 2003), as well as psychological issues relevant to performance of software teams (White, 1984). In particular, some have suggested that there are preferred personality types for specific job functions of information system professionals (Teague, 1988) and that use of these types should be considered in building successful software development teams (Gorla & Lam, 2004). For the most part, these studies concentrate only on the information system professionals (technical team leaders, systems analysts, programmers) and not on the users who might be part of the development team.

One study that did examine personality type of team members where users were incorporated into the development team only investigated two teams, and then the results presented were a composite, not differentiating between information system professionals and end users (Bradley, 1997). While team dynamics are affected directly by the personality types of both information systems staff and contributing end users, a composite result does not provide much insight into the difference that appropriate user selection might bring to the development process, and hopefully the eventual acceptance of the resulting system.

### **PERSONALITY TYPE PREFERENCES**

The above referenced studies on personality types all utilized the Myers-Briggs Type Indicator (MBTI®) instrument, developed by Katharine Briggs and Isabel Myers, which is based upon Carl G. Jung's theory of psychological types (McCaulley, 1990). The MBTI® instrument is a widely-used tool for explaining personality types, both for the organizational psychologist and for individuals who want to better understand their own personalities (McCrae, 1989).

The MBTI® instrument consists of a series of forced choice questions where the user selects their preference for making decisions, obtaining information, and organizing their lives. The theory assumes that individuals prefer certain ways of behaving over other ways. This does not preclude non-preferential behavior, but indicates a natural preference, much like handedness, where one may be able to use either hand, but prefers either right or left and finds use of the opposite hand somewhat awkward or uncomfortable.

Results are analyzed in order to classify preferences along four dichotomies of energy, perception, decision-making, and lifestyle (Table 1). Participants are classified for energetic preference either as extrovert (E), being those who prefer to draw energy from interaction with others, or as introvert (I), having a preference for being alone with their ideas and reflecting on them. As to perception, meaning the preferred way to gain information, they are classed either as sensing (S), preferring concrete factual evidence, or as intuitive (N), focusing on exploration, connections, possible meanings, and alternative explanations. For decision-making, they are either thinking (T) or feeling (F). Thinking individuals prefer logic, objective cause-effect analysis, rationality, and formal methods of reasoning. Feeling individuals based decisions on subjective valuing and a consideration of importance. Finally, preferences for lifestyle are either judging (J) or perceiving (P). Judging individuals prefer to have things planned in advance and well organized whereas perceivers prefer spontaneity and keeping their option open. The result of an initial survey yields one of sixteen possible provisional types, such as ENTJ or ISFP, each comprised of one choice from each of the four pairs of preferences. Such results are termed provisional types for several reasons, including the need for at least one additional feedback session for type verification. Consequentially, proper administration, including pre- and post-test informational sessions, is deemed critical. As the degree of error in the test may be amplified by improper administration, purchase and use of the MBTI® instrument is restricted to qualified users who have had specific training.

<b>Table 1: MBTI® Result Types</b>		
Energy	Extrovert (E)	Introvert (I)
How we focus attention and draw energy	Focus on externals, people and activities	Focus on internals, thoughts, ideas
Perception	Sensing (S)	Intuitive (N)
How we acquire information	Observe details, focus on tangibles	Focus on concepts, meanings, alternative explanations, connections
Decision-making	Thinking (T)	Feeling (F)
How we make decisions	Based on logic, objective cause-effect	Based on values, empathy
Lifestyle	Judging (J)	Perceiving (P)
How we deal with the world	Methodical, prefers planning	Spontaneous, prefers flexibility

McDonald and Edwards (2007) did a survey of papers between 1984 and 2004 in software engineering relevant to personality testing, concentrating on whether test selection used reliable and valid instruments appropriate for the purpose. They found that the majority focused on the MBTI® test, yet "in the majority of cases details of the specific tests used are glossed over, and in some cases, misrepresented." They specifically state one case that claimed usage of the MBTI® instrument and, in fact, did not use it. Whether in some cases used inappropriately, poorly administered, or just poorly reported, they found the MBTI® instrument was the predominately used and reported measure. Consequently, in order to have a basis of comparison of the results for system users and the software development professionals with whom they must interact, it would seem appropriate to use the same widely-used measure and to let the peer-review process determine whether other comparative research has been done appropriately.

Some of the aforementioned research that was regarded as not really using the MBTI® instrument relied on free resources which use alternate and often shorter question sets. Because these surveys did not provide reliability or validity data, they were considered suspect. In some other cases, authors claiming use of the MBTI® instrument actually built their own set of questions. While these might be egregious examples, they certainly argue for proper training in test administration and interpretation.

A possible drawback to using the MBTI® instrument, at least for those circumstances where funding is an issue, is the cost per participant as well as the necessity to have the administrator of the MBTI® instrument be properly trained in its usage. In order to acquire the copyrighted materials for administration of the questionnaire and then to have the questionnaires scored, the administrator must be deemed as qualified. Such qualification may be obtained either by holding a master's or higher degree in one of a series of fields related to psychology, counseling, or organizational development, or by completing a certification program (Requirements for Administering Assessments).

## CONCLUSION

If indeed there are preferable personality types for the various roles of information system professionals in software development, then it would seem logical that the same might hold for users who are part of the development process. For some time we have sought to compose software

development teams where members of the user community are included, in an effort to improve user acceptance of the end product. It would seem advisable then to pay at least as much attention to the personality types of such users as we have to technical team members.

The results of a comparison of personality types for users to those for software professionals might be of help in identifying or minimizing potential historic problem areas, such as communication between developers and users. This is not to say that such a comparison might yield a "magic bullet" or even a definitive "checklist" for selection of user team members, but it may help as an additional piece of information in the complex task of assembling teams who can regularly produce software systems that satisfy not only the technical requirements of the project but also the users who subsequently must work with these systems.

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# **AMERICAN ITALIAN PASTA COMPANY AND SOP 98-1**

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## **ABSTRACT**

The American Institute of Certified Public Accountants (AICPA) issued its Statement of Position (SOP) 98-1 in 1998 to reduce the variability in how companies report costs they have incurred to develop software for internal use. This paper outlines those rules and describes how one company violated those rules to accomplish an earnings manipulation goal. The paper concludes with a comment on how rules-based standards such as SOP 98-1 will change as the International Financial Reporting Standards (IFRS) moves closer toward adoption as a global financial reporting standard.

## **SOP 98-1 BACKGROUND AND DEVELOPMENT**

The FASB is one of the primary sources of generally accepted accounting principles (GAAP) in the United States. Another source exists in the pronouncements of the Accounting Standards Executive Committee (AcSEC), a senior technical body within the AICPA, which issues SOPs to provide authoritative guidance on many important accounting issues (AICPA, 2009). Since the AICPA completed its codification project in 2009, all GAAP is now included in one document, including FASB statements, AcSEC SOPs, and other materials (FAF, 2009).

By 1998, concern had grown among users of financial statements and within the Securities and Exchange Commission (SEC) that companies were using a wider variety of criteria for deciding whether to report internal computer software development costs as a capitalized asset than would be ideal (Munter, 1999). Some companies expensed all costs, other companies capitalized all costs. Other treatments that combined these two approaches also existed. This variation was cause for concern among financial statement users and, in 1994, the chief accountant of the SEC asked the AICPA's Emerging Issues Task Force to consider developing specific guidance. After consultation with AcSEC, the decision was made to have AcSEC issue an SOP that would become a statement of GAAP relevant to the matter.

The resulting statement that was issued, SOP 98-1, provides guidelines that clarify under what conditions entities must report these costs as assets (which are subject to subsequent amortization over their useful lives) and when to classify them as current period expenses. The classification of these costs can have a material impact on the net income reported. The main goal of this statement was to reduce substantially the ability of entity managers to account for the costs of developing software for internal use in different ways (Savage, et al., 2004).

SOP 98-1 applies only to software that is acquired, internally developed, or modified for the sole purpose of meeting the entity's internal needs and does not apply to any software for which a substantive plan exists or is under development to sell the software to external customers (AICPA, 1998). Expecting that some companies might create a marketing plan for software that they were developing for internal use, SOP 98-1 specifically states that software developed jointly with another entity or software for which a routine market feasibility study has been conducted will be treated as internal-use software. In other words, an entity that enters into a joint development agreement with another entity or makes an attempt to show external marketing intent by taking minor steps toward doing so will still be subject to the SOP 98-1 rules (DuLaney, 2000).

Development costs that are not used to create a software product that is sold to external customers fall under the purview of SOP 98-1. Such software development projects are deemed to occur in three stages: preliminary project, application development, and post-implementation (AICPA, 1998; Noll, 1998).

During the preliminary project stage, the entity is evaluating alternatives. Activities in this stage include creating an assessment or evaluation team, defining applications requirements, developing performance parameters and expectations, issuing requests for proposals to vendors, reviewing vendor proposals received, and considering alternative software development methods. In other words, the entity is exploring approaches to accomplishing its objectives. In the preliminary project stage, no software development method has been chosen and no vendor has been selected. An entity may decide to hire consultants to perform some elements of the work at this stage without affecting the accounting treatment of the expenses. All expenses in the preliminary project stage are expensed as incurred.

In the application development stage, costs incurred must be capitalized as an asset. The idea is that in this stage, the entity is creating a specific intangible that will provide benefits for some set of future periods; that is, it will have value and a useful life. This stage begins when the work of the preliminary project stage is complete, as indicated by factors such as entity management authorizes the development project, funding is approved for the project, and the reasonable belief that the software will be developed and will function as intended. The types of costs incurred in this stage would normally include the cost of writing program code, designing specific interface elements, pilot testing elements of the software, debugging and testing the software, and the final installation of the software. These costs might be incurred by hiring consultants, purchasing software elements directly from third parties, and paying new or existing employees to perform these functions (including payroll taxes and employee benefits related to the time worked in the application development stage). Related interest costs during this stage would be capitalized in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 34 because a software development project subject to SOP 98-1 is an asset constructed as a discrete project and is for the entity's own use. Overhead allocations of any kind, including general administrative costs (for example, an allocation of human resource department costs for the employees hired to do this work) would not be capitalized as part of the software development project. The cost of training employees to use the new software would not be capitalized, either.

The final stage is post-implementation. After the software is installed, tested, and begins regular operations, this stage is underway. Any costs incurred after this stage is entered are expensed. The capitalized cost (accumulated during the second stage) is amortized during this time period and continues for the useful life of the software. The cost of software maintenance (including continuing consulting contracts with providers of help services related to purchased elements of the software) and training would also be expensed.

### **EARNINGS MANIPULATION: AN EXAMPLE**

Proponents of SOP 98-1 argued that it would limit the likelihood of differences in the financial statements of similar companies that occurred because firms made varying choices of accounting treatment for software development costs. In one well-documented case, a company allegedly manipulated earnings by using improper capitalization of software development costs. This example provides an illustration of the potential for misstatement that exists within this element of many companies' cost structures.

In 2005, the American Italian Pasta Company (AIPC) reported in a press release that it was delaying the filing of its Form 10-Q, that the Audit Committee of its Board of Directors was conducting an internal investigation into its accounting practices, that it was going to record substantial downward adjustments to financial statements it had filed earlier, and that material

weaknesses in internal controls at the company had been identified in violation of section 404 of the Sarbanes-Oxley Act of 2002 (AIPC, 2005; Benoit, 2009).

From fiscal year 2002 through the second quarter of fiscal year 2004, AIPC fraudulently and improperly capitalized more than \$4.5 million as internal-use software development costs (Benoit, 2009; SEC, 2008). The company's operating expense budgets included a line item for capitalized internal management information systems (MIS) labor. The amount for capitalized labor was calculated as a percentage of total MIS labor rather than being calculated using anticipated software development tasks, the hours those tasks would require, and the compensation rates of MIS employees who could perform such tasks (SEC, 2008). AIPC further recorded the capitalized labor at budget amounts rather than at any actual amounts (SEC, 2008). The company also improperly capitalized other MIS department expenses, including the costs of computer hardware leases, software maintenance, communications, and other labor, both internal and external (SEC, 2008).

AIPC was engaged in a massive earnings manipulation of which its violations noted here were only a small part (Benoit, 2009), however, it is interesting to note that AIPC chose an area in which GAAP clearly defined specific rules to follow for categorizing costs for one of its manipulations.

### **THE FUTURE OF RULE-BASED STANDARDS**

GAAP is typically considered to be a set of standards that are largely rules based. Such standards are characterized by strict rules that must be followed precisely to achieve the proper recording and disclosure of the results of particular transactions. SOP 98-1 is an excellent example of such a rules-based approach to standard setting. The goal in writing the Statement was to reduce the variability in extant company reporting practice. To accomplish this goal, AcSEC crafted detailed procedures to follow in each of the three stages of software development.

SOP 98-1 is an example of the type of GAAP that will require a complete change in perspective when IFRS become the global reporting standard. IFRS uses a principles-based approach to standard setting. Instead of following detailed rules, IFRS requires accountants and auditors to apply their expertise and use judgment when selecting an accounting treatment (Tribunella, 2009). IFRS establishes a conceptual framework and provides only general guidance on whether to capitalize or expense a particular cost. In the future, under IFRS, U.S. accountants will be able to overcome many of the concerns created by SOP 98-1 and other restrictive rules on the valuation and presentation of intangible assets in financial statements.

### **SUMMARY**

This paper outlined the current GAAP for internal-use software development costs. Specifically, the paper outlined the background and the motivations for the creation of SOP 98-1, then reviewed its specific provisions. The paper then provided an example of a major violation of that Statement's requirements. The paper concluded with a comment on the future of rules-based standards such as SOP 98-1, given that IFRS is widely expected to become the global standard for financial reporting in the future.

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# **TEACHING CRITICAL THINKING IN ACCOUNTING, LEADERSHIP, AND HUMAN RESOURCE MANAGEMENT COURSES WITHIN AN ACTION LEARNING FRAMEWORK**

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## **ABSTRACT**

*This research study looks at the implementation of an action research project in which critical thinking skills of undergraduate students in a human resource management training and development class and in an accounting class as well as graduate students in a leadership class were given opportunities to explore more deeply various concepts and perspectives central to their understanding of the field of inquiry. Consistent with Smith and Clark (2010), we implemented an action learning approach and integrated critical theory concepts in instructional delivery. Faculty comfort, student engagement and interest, and student willingness to be in a constant improvement mode were key factors in successfully incorporating a variety of tools and techniques in these courses.*

## **RANKING BEST BUSINESSES: A BALANCED SCORECARD TYPE APPROACH**

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### **ABSTRACT**

*Toyota's current woes have been attributed by Mr. Akio Toyoda (Chairman, Toyota Motors) to the excessive focus on profitability and market share—a departure from the past when the main focus was on the customer and continuous quality improvement. Similarly, many businesses that have been ranked very highly in one performance category have failed miserably in other performance measures. The balanced scorecard approach, as popularized by Kaplan and Norton, includes three non-financial measures—customer, internal processes, and innovation & learning—in addition to the financial measures category. Yet, there are many lists and rankings that exist, which exclusively look at business performances from a very narrow focus. Four of such popular rankings are reviewed in this paper. These four lists are: 1) Best global brands (CNN), 2) Best places to work (Fortune), 3) Highest return to the shareholder, and 4) AMR Research's Supply Chain Top 25. The paper compares the methodology used by these four lists to come up with their rankings each year. Further, it is suggested that a balanced scorecard type approach may be a comprehensive way to develop such list of top ranking businesses because that approach incorporates multidimensional measures to evaluate organizations. A list of variables is proposed that can be included in developing a better balanced scorecard type index for ranking businesses. Finally, an analysis and discussion is presented based on why there are many businesses that made it to multiple of those top 25 lists whereas some businesses made it to just one list—this is to support our methodology as to why a comprehensive approach for ranking is critical.*

# MINORITY BUSINESS STUDENTS PERCEPTION OF SUCCESSION PLANNING: A PRELIMINARY INVESTIGATION

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## ABSTRACT

*Recent catastrophic natural and man-made disasters, including the Haitian Earthquake of January 2010, Hurricane Katrina of August 2005, the Indian Ocean Tsunami of December 2004, the September 11, 2001 terrorist attacks in the United States, the November 2008 terrorist attack in Mumbai, India, and the N1H1 Influenza epidemic of 2009, have magnified the importance of succession planning in business, political, and family affairs (Paton, 2009). The need for succession planning has become even more important as recent forecasts point to more extreme weather patterns and accompanying natural disasters which will continue to impact already deteriorating relations between nations, groups, and individuals around the world (Travis, 2009). Despite recent history, current events, and dire predictions about future disasters and the need to protect persons, assets, and rights, succession planning as demonstrated by a simple "last will and testament" is neither a common topic of discussion nor a well understood concept in many parts of our society (Cantor, 2005). This paper is an attempt to gain a preliminary insight into the understanding of succession planning by selected minority urban business students from the southern parts of the United States of America. The study will utilize questionnaires to collect data on three phases of the succession planning, including will construction, inheritance laws, and commercial implication of wills. The data will be analyzed using simple percentages and any other appropriate statistical tools.*

# **THE STUDY OF LEADERSHIP IN SMALL BUSINESS ORGANIZATIONS: IMPACT ON PROFITABILITY AND ORGANIZATIONAL SUCCESS**

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## **ABSTRACT**

*Failures of small businesses in the United States continue to increase. This research examined small construction businesses from Pennsylvania and West Virginia to determine if there was a relationship between leadership style and organizational profitability and success. Leadership was measured through perceptions of leaders, managers, and employees from small construction companies using the Multifactor Leadership Questionnaire survey. A quantitative correlational design tested the relationships between leadership and organizational profitability (based on employee effectiveness) and organizational success (based on employee satisfaction). The findings revealed stronger and more positive relationships between transformational and transactional leadership styles and dependent variables than between laissez-faire leadership style and dependent variables. Correlational *r*-values illustrated the relationships between transformational, transactional, and laissez-faire leadership styles and employee effectiveness and employee satisfaction.*

**Keywords:** Employee Effectiveness, Employee Satisfaction, Leader, Leadership Styles, Profitability, Small Construction Businesses, and Successful Small Businesses.

## **WAGE DISCRIMINATION IN KOREA'S ESL INDUSTRY**

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### **ABSTRACT**

*Discrimination of native-speaking foreign teachers based on race, sex and age is perceived to be quite prevalent amongst employers within Korea's English as a Second Language (ESL) industry. This study was conducted with the specific goal of identifying unexplained wage gaps which could indicate wage discrimination against certain groups within Korea's ESL instructor population. Through the use of GLM and linear regression analysis on questionnaire data, a controlled productivity baseline is established for instructors based on common economic and noneconomic characteristics. Nationality, education level, and years teaching in Korea were determined to have significant effects on annual salary and hourly earnings. In addition, the employed methodology could also predict wage variation between instructors possessing various economic and noneconomic traits. Despite common belief of widespread levels of discrimination, none of the anecdotal factors significantly impacted wages. However, nationality for two groups did prove to have significant effects. Holding productivity constant, Filipinos receive significantly lower composite earnings as compared to all other nationalities. Identifying the existence and extent of wage discrimination in this industry can assist policy makers in more properly regulating ESL work while improving opportunities, and potentially educational efficacy, within the industry for both Koreans and foreigners alike.*

*Key Words: Korea ESL Industry, English as a Second Language, Wage Discrimination*

## **GSS ANONYMITY EFFECTS SMALL GROUP BEHAVIOR**

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### **ABSTRACT**

*Professionals and managers participated in a field experiment to determine the effects of Group Support System (GSS) anonymity and status on group productivity and satisfaction. In GSS sessions, they discussed ways to solve the problem of insurance fraud within their industry. Groups of four and five members interacted either with or without anonymity, and either with equal status or unequal status. Anonymous groups generated more total comments, more unique ideas, and more ideas of higher rarity than did identified groups. Equal status group members were more satisfied than unequal status members.*

*Keywords: Empirical, experiment, decision support systems, collaboration systems, team, and multi-theory*

